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PORT OF
FERRY BUILDING

CITY OF SAN FRANCISCO • GEORGE R. MOSCONE, MAYOR
SAN FRANCISCO
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6/77

September 16, 1977

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Honorable George R. Moscone
Mayor City and County of San Francisco
City Hall - Room 200
San Francisco, California 94102

Subject: Annual Report
San Francisco Port Commission
Year Ending 6/30/77

Dear Mayor Moscone:

In reply to your request of September 8, 1977, I am submitting on behalf of the San Francisco Port Commission our Annual Report for the Fiscal Year Ending June 30, 1977.

I. REPORT ON PROGRESS OF CAPITAL IMPROVEMENTS

During the past year, the San Francisco Port Commission did not undertake any capital improvements for major new facilities. Our capital improvement program is presently aimed at improving and extending the life of existing maritime facilities. Some of the significant ongoing projects are:

1. Pier 94 (North) upgrading of the dike and land improvements in preparation for a major deep water dry bulk cargo terminal,

2. Pier 98 continual fill for future construction of a new maritime facility--unspecified use at this time,

3. Pier 70 improvements for expanded use as an auto facility and off-loading of fuel for the PG&E Potrero Plant--permiting replacement of shallow water barge facilities with more economical deep water facilities,

4. Hyde Street Pier (planning only) construction of a new pier is planned during the 1977-78 fiscal year (demolition started September 1977).

Two projects which were under construction in Fiscal Year 1976-1977 and which are presently near completion are:

1. Warm Water Cove Public Access Area located at the foot of 24th Street. This area has been improved to create a new public access and fishing area. The improvements have been made in conjunction with the Bureau of Outdoor Recreation and PG&E. The improvements include landscaping, a fishing pier, and general upgrading of the area.

2. Mission Creek Harbor Marina located at 6th and Channel Streets. This area has been improved for a 55 boat marina, to include 20 live-aboards. The improvements include the removal of an old unsafe pier, the construction of new floats, and improvements to the shoreline. During the present fiscal year, the Port will construct a Bath-house and complete the landscaping. This project has been funded by the Port, and the Mission Creek Harbor Association will operate the marina.

The total bond funds reclassified for prior year capital projects or spent in Fiscal Year 1976-1977 are as follows:

Fifth Seawall Bond Fund (State G.O.)	$ 203,818
Port of S.F. Revenue Bonds	Ø
1971 Harbor Improvement Bonds (City G.O.)	4,115,346
Total	$ 4,319,164

Major capital improvements planned, or in progress, for the Port of San Francisco include:

Project	Source of Funds
Rehabilitation of Fisherman's Wharf	Port, Private, State Federal
Pier 98 Land Fill (Unspecified Maritime Use)	Port, Private
Pier 94N Coal Facility	Port, Private
Pier 37, 39, 41 North Point Park Project	Private
Waterfront Promenade (Piers 14, 16, 18 & 22)	Federal (EDA Funds)
Berthing of Historic Ships at Piers 1 & 3	Private
Ferry Building (Ground Floor) Improvements	Private

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II. REPORT ON REVENUES AND EXPENDITURES FOR FISCAL YEAR ENDING JUNE 30, 1977

REVENUES

Category	Budget Estimates (000's)	Actual (unaudited)	Difference
Dockage	$ 850	$ 968,082	+ $ 118,082
Wharfage	2,500	2,503,932	+ 3,932
Demurrage	300	204,107	(95,893)
Prop. Rental	9,500	9,636,413	+ 136,413
Tenant Services	100	107,090	7,090
Com. Power	1,100	1,305,140	205,140
Parking Meters	300	279,070	(20,930)
Eq. Rental	300	44,853	(255,147)
Miscellaneous	100	86,020	(13,980)
Total	$15,050	$15,134,707	+ $ 134,707

EXPENDITURES

Category	Budget Estimates	Actual (unaudited)	Savings
Salaries	$ 1,703,151	$ 1,519,614	$ 183,537
Wages	2,849,497	2,194,361	655,136
Overtime	7,000	63,654	(56,654)
Temp. Salaries	70,000	133,292	(63,292)
Fees & Comp.	6,000	5,922	78
Contractual Svcs	1,561,730	1,638,402	(76,672)
Use of Auto	1,000	418	582
Materials & Sup.	550,000	493,511	58,489
Equipment	67,800	5,398	62,402
Fix Charges	685,850	746,297	(60,447)
Bond Charges	5,353,698	5,300,475	53,223
Fringe Benefits	459,042	361,845	97,197
City Atty.	54,515	54,515	-0-
Total	$13,369,283	$12,517,704	$ 851,579

III. REPORT ON MARITIME AFFAIRS

The Port of San Francisco's maritime revenues projected in the 1976-1977 budget were surpassed this past year. The significant gain in docakage is directly attributable to the Port's efforts to capitalize on the abundance of tankers in the world market. The Port has been successful in obtaining certain of these ships to tie up in San Francisco awaiting service in the world market. The decrease in demurrage the past year may be a direct result of the depressed conditions of the coffee market which resulted in faster delivery of lessee amounts of coffee from the piers.

The Port's total tonnage increased this past fiscal year for the first time in the past three years. The total tons of cargo handled by the Port for fiscal year 1976-1977 was 2,506,451 short tons, compared with 2,309,135 for fiscal year 1975-1976.

The Port continues to anticipate an increase of business into this current fiscal year with the importation of fuel oil to service the PG&E power plant, as well as new automobile imports. The Port is also seeking additional specialized break-bulk cargoes, including scrap metal and bulk type commodities.

One of the most significant changes to the Port of San Francisco's Maritime Division in the past year was the closing of Foreign Trade Zone #3 at the Berry Street and King Street sites. The Port has relocated the Foreign Trade Zone to maritime piers 19-21, and anticipates new cargoes at lower cost to the Port.

During the current fiscal year, the Port's Maritime Affairs Division will undergo an organizational change. This change is planned to place all of the administration of the maritime operations under the direct supervision of the Deputy Port Director, as well as to strengthen the existing marketing and sales program of the Port.

IV. REPORT ON THE COMMERCIAL PROPERTY RENTALS

For the Fiscal Year ending June 30, 1977, the Port's property rental revenues has once again increased over past years to a high of $9,636,413. Since the transfer in 1969, the Port has successfully increased its rental income from its property, even in light of the fact that the property available for rent at the Port of San Francisco has been decreasing in size.

One of the successes of the Port's Property Management Program has been the percentage rental agreements which account for approximately 30% of the rental income. As the business of the restaurants and tourist attractions within the Port's jurisdiction increase, the Port's rental increases accordingly.

The rental income from the office space in the San Francisco Ferry Building/World Trade Center also reached an all-time high this year exceeding $900,000. The San Francisco Port Commission is presently undertaking plans to increase the income from these buildings with the development of the first floor of the Ferry Building in conjunction with the opening of the new Ferry Terminal on the Bart Platform.

V. ACTIVITIES OF THE PORT WITH RESPECT TO CITY AFFAIRS

PLANNING

During Fiscal Year 1976-1977, the City Planning Department and the Port of San Francisco worked together in the updating of the City's Northern Waterfront Plan. The final Northeasterly Waterfront Plan, which sets guidelines for development on the Port's Northern Waterfront, has been completed, and the San Francisco Port Commission has approved the Plan in Principle.

Currently, the Port, Planning Department, and Redevelopment Agency are conducting another study of the property between Pier 7 andChina Basin as part of a Redevelopment Survey District. The Port Commission is acting as lead agency for the development of a Total Design Plan within the Ferry Building Area for adoption by the San Francisco Port Commission and the Bay Conservation and Development Commission. These plans are anticipated to be completed in Fiscal Year 1977-1978.

RETIREMENT SYSTEM

During the past fiscal year, the Port was informed by the Public Employees' Retirement System that the City's contract with this agency for the miscellaneous port employees having former state service had an unfunded liability. This liability was projected to be over $2,000,000. Since the PERS system covers City employees who work at the Port and have former state service, the Port felt that on behalf of the City and County of San Francisco we would investigate the reported liability. The San Francisco Port Commission has hired an independent actuary and his report is due in October of 1977.

PUBLIC UTILITIES COMMISSION

During the past year, the Public Utilities Commission has once again raised the issue of extending the Hyde Street Cable Car to the foot of Taylor Street on Port Property. The Port and the PUC have been conducting discussions concerning this issue. The Port has accepted that the extension of the cable car will be accommodated on Port Property at Jefferson and Taylor Streets.

FIRE DEPARTMENT

As was reported in the 1975-1976 Annual Report, the Port requested the Graduate School of Public Policy, University of California, to prepare an analysis of financial alternatives for funding the Fireboat. The analysis recommended that the fireboat be placed on a stand-by status, resulting in a $465,000 saving to the Port.

This recommendation was adopted by the San Francisco Port Commission this year, and the 1977-1978 Budget funds the fireboat at approximately 50% of what has been traditional. This savings has been accomplished by the Port without reducing necessary standards of fire protection.

VI. GENERAL INFORMATION

ACCOUNTS RECEIVABLE

During the past fiscal year, the San Francisco Port Commission has been criticized for not actively pursuing past-due accounts owed to the Port. On the contrary, the Port has been successful in Fiscal Year 1976-1977 in reducing the accounts receivable. This success has been accomplished by using various methods of collection, including adding one new Collections Clerk to the Port's staff, turning over uncollectable accounts to the City's Tax Collector's office and taking necessary legal action against customers.

The following comparision between Fiscal Year ending 6/30/76 and 6/30/77 is provided for your information:

Account	Dollar increase or (decrease)	Percentage of change
0 - 30 days	($219,963)	(38.2%)
31 - 60 days	(2,365)	(8.3%)
61 - 90 days	(29,084)	(20.0%)
91 - 120 days	(44,424)	(56.2%)
Over 120 days	18,217	8.6%

The Port has decreased its overall accounts receivable by $277,619 during the past year or an overall decrease of 26.6%. The Port will continue to aggresively seek to decrease these accounts during the current fiscal year.

PIER 94

As was reported in last year's Annual Report, the completion of Pier 94 as one-berth, two-crane container facility has improved the Port of San Francisco's container capabilities. The Port has been exploring the feasibility of using this one-berth facility with various steamship lines. However, it is recognized that whereas a short-term arrangement may be feasible, the long-term use of the Pier 94 area must be viewed from the point of view of combining the existing two-berth facility at Pier 96 with the one berth at Pier 94. In analyzing this possible three-berth facility, it is the opinion of the Port staff that the long-term benefits to the City and County of San Francisco out weigh any short-term benefits of attempting to utilize the one berth on a long-term basis. Therefore, the Port has used Pier 94 this past year to capture the over-flow business presently going to Pier 96. The Port is hopeful of completely current negotiations with Pacific Far East Lines and Farrell Lines and others in this fiscal year for the long-term use of a Pier 94-96 complex.

The northern portion of Pier 94 that was damaged during the earthquake has also been planned for development in conjunction with Bayshore Bulk Terminal Company, a firm representing the interest of Soros International, a designer and developer of bulk materials-handling facilities. In April 1977, the San Francisco Port Commission entered into a Development Agreement for the construction of a coal-loading facility. Concurrently, the Port Commission requested the California State University, San Francisco, to report on the project as proposed. Their report is due by October of 1977, but general review of the draft indicates that the project is feasible and a benefit to the City and County of San Francisco.

The success of the coal facility in San Francisco is dependent upon the demand for steam coal utilization in Japan. Current negotiations are underway to get a share of the Japanese market. On September 7, 1977 the Japanese government announced plans for the study of a new coal center which is estimated to require approximately 7,500,000 tons of coal initially to be imported into it. Due to the proximity of deep water to the Port of San Francisco, and the availability of land at Pier 94 North, and the excellence of rail service the Port is aggressively soliciting this trade via its trade representative in Japan, with Japanese Trading Companies and and the Japanese Government Agencies.

FISHERMAN'S WHARF PROJECT

For the past twelve years, the Port of San Francisco and the City and County of San Francisco have been working with the U.S. Army Corps of Engineers for the construction of a protective breakwater at Fisherman's Wharf. During the past fiscal year, the Army Corps of Engineers approved the concept of a breakwater in the Fisherman's Wharf area. This plan has been submitted to the State of California for comment, and the Port anticipates final design work to commence in Fiscal Year 1977-1978.

The San Francisco Port Commission is continuing its efforts to complete a total design plan for the area to include the berthing of historic ships along a new Hyde Street Pier, the addition of 300 commercial fishing slips, and the conversion of Pier 45 (Sheds B & D) into a fish handling facility.

Construction of the major part of the project is currently projected to be two years away. However demolition of the ferry slips on the south half of Hyde Street Pier got underway in September of 1977.

ECONOMIC DEVELOPMENT

During the past fiscal year, the San Francisco Port Commission submitted two EDA Applications through the Local Public Works Programs for a total grant of approximately $6,000,000. Both applications were rejected by EDA on the first appropriation.

A supplemental application was submitted in June of 1977 as part of the second appropriation, and currently the San Francisco Port Commission has a grant of approximately $5,000,000 pending in Washington D.C. for the demolition of Piers 14, 16, 18, 20 and 22, the construction of a waterfront promenade, and the relocation of the Port's maintenance facility to SWL 340 (16th and Illinois Streets). The Port anticipates approval of this project, and construction will commence by January of 1978.

STATE INDEBTEDNESS

In cooperation with the Mayor's Office, the San Francisco Port Commission has begun discussions with the State of California for the forgiveness of County of San Francisco at the time of the Port's transfer.

ECONOMIC IMPACT STUDY

During the 1976-1977 Fiscal Year, the Port of San Francisco requested the California State University, Business Department, to conduct an economic impact study of the Port on the City and County of San Francisco. The report was published and reported that approximately 40,000 jobs in the City and County of San Francisco are dependent upon the Port, and that approximately 5.7 million dollars in addition to rent to the Port is paid to the City and County of San Francisco in taxes and fees.

Thomas T. Soules

THOMAS T. SOULES
PORT DIRECTOR

TTS/mt

cc: All Department Heads
Port Commission Members
A. J. Taormina

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CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

REPORT ON EXAMINATION

YEAR ENDED JUNE 30, 1978

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The Honorable John C. Farrell, Controller
City and County of San Francisco
Port of San Francisco

We have examined the balance sheet of the Port of San Francisco as of June 30, 1978, and the related statements of operations, equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the Port of San Francisco for the year ended June 30, 1977, were examined by other auditors whose report dated January 6, 1978, except for Note E to the financial statements which was dated January 31, 1978, on those financial statements was qualified as being subject to the effects on the 1977 financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties discussed in Notes 2 and 6 to these financial statements been known and except for the effect of capitalizing the excess of appraised value over the cost of the land.

The land asset of the Port of San Francisco was increased in prior years by approximately $56,000,000 to reflect appraised values of 1929. Under generally accepted accounting principles the excess of appraised value over stated cost should not be capitalized.

In our opinion, except for the effects of capitalizing the excess of appraised value over stated cost of land, as discussed in the preceding paragraph, such financial statements, present fairly the financial position of the Port of San Francisco at June 30, 1978, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Main Lafrentz & Co.

November 3, 1978

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

BALANCE SHEET

JUNE 30, 1978

ASSETS

	1978
Current assets	
Cash	$ 761,212
Accounts receivable (less allowance for doubtful accounts of $2,459,554)	3,192,039
Material and supplies (Note 1)	210,814
Prepaid insurance	318,984
Total current assets	4,483,049
Restricted assets (Note 1)	
Cash and investments	
Capital outlay	8,172,445
Bond interest and redemption	1,935,994
Accrued interest receivable	134,781
Receivable from the City and County of San Francisco - Revenue Sharing Program	91,112
	10,334,332
Facilities, property and equipment (Notes 1 and 3), net	156,359,782
Other assets	451,354
	$171,628,517

LIABILITIES AND EQUITY

	1978
Current liabilities	
Warrants outstanding	$ 501,196
Accrued expenses	1,422,987
Payable to the City and County of San Francisco	870,824
Deferred income (Note 1)	104,766
Bond interest payable	441,605
Bonded debt maturing within one year (Note 4)	3,529,000
Total current liabilities	6,870,378
Lease deposit and customer advances	669,028
Bonded debt, less current maturities (Note 4)	76,705,000
Commitments and contingent liabilities (Notes 2, 5 and 6)	
Equity	
Accumulated earnings	22,184,677
Donated property	9,136,232
Revaluation of property (Note 1)	56,063,202
	87,384,111
	$171,628,517

These financial statements and accompanying notes are subject to the accountants' opinion.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 1978

Operating revenues	
Property rentals	$10,706,432
Wharfage, dockage and demurrage	4,023,379
Commercial power	1,777,577
Interest income	849,543
Other	1,284,637
	18,641,568
Operating expenses	
Interest expense	4,102,199
Maintenance	4,337,997
Depreciation and amortization	3,018,519
Operations	4,547,314
Commercial power	1,363,748
Fire boat operations	468,257
Insurance	790,536
	18,628,570
Operating income	12,998
Nonoperating income	
Federal aid	1,287,518
Net income	$ 1,300,516

These financial statements and accompanying notes are subject to the accountants' opinion.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF EQUITY

YEAR ENDED JUNE 30, 1978

	Total Equity	Accumulated Earnings	Donated Property	Revaluation of Property
Balance at July 1, 1977	$86,034,711	$20,884,161	$9,087,348	$56,063,202
Net earnings	1,300,516	1,300,516		
Additions to donated property	48,884		48,884	
Balance at June 30, 1978	$87,384,111	$22,184,677	$9,136,232	$56,063,202

These financial statements and accompanying notes are subject to the accountants' opinion.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED JUNE 30, 1978

Working capital provided from	
Net income	$ 1,300,516
Add charges not affecting working capital	
Depreciation and amortization	3,018,519
Working capital provided from operations	4,319,035
Decrease in restricted assets	496,552
Additions to donated property	48,884
Decrease in other assets	577,325
Total working capital provided	5,441,796
Working capital used for	
Retirement of long-term debt	3,529,000
Additions to facilities, property and equipment	2,492,257
Decrease in lease deposits and customer advances	238,614
Total working capital used	6,259,871
Increase (decrease) in working capital	$ (818,075)
Changes in working capital	
Increase (decrease) in current assets	
Cash	$ (556,014)
Accounts receivable	1,369,506
Materials and supplies	(95,462)
Prepaid insurance	(10,936)
	707,094
(Increase) decrease in current liabilities	
Warrants outstanding	(262,693)
Accrued expenses	133,011
Payable to the City and County of San Francisco	(635,217)
Deferred income	51,792
Bond interest payable	12,938
Current portion of long-term debt	(825,000)
	(1,525,169)
Increase (decrease) in working capital	$ (818,075)

These financial statements and accompanying notes are subject to the accountants' opinion.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and method of accounting - Prior to February 7, 1969, the Port of San Francisco ("Port") was owned by the State of California. On February 7, 1969, the Port was transferred to the City and County of San Francisco (City) under the terms and conditions specified in the State of California statutes of 1968, Chapter 1333, as amended, and as ratified by the general election of the City and County of San Francisco on November 5, 1968.

The Port is an enterprise fund of the City. All the accounts of the Port are maintained on the accrual basis.

Revenue recognition - Lease revenue from the rental of building spaces, ground areas and facilities is accounted for under the "operating method." Under this method, lease revenue is earned as it becomes due over the term of the lease, and the related expenses including depreciation and maintenance are included in operating expense as incurred.

Materials and supplies - Materials and supplies are used for construction or maintenance of Port facilities and are stated at cost (principally average cost).

Facilities, property and equipment - Facilities, property and equipment are stated at cost except that the land asset was increased in prior years by approximately $56,000,000 to reflect appraised values of 1929. Depreciation is provided on the straight line method based upon the estimated useful lives of the related depreciable assets.

Maintenance, repairs and minor replacements are expensed as incurred. Expenditures for major replacements and improvements resulting in increased value or extension of useful lives are capitalized, unless such costs are reimbursed by tenants. The cost of the improvements and related reimbursement are deferred until completed, at which time the costs and related revenue are recognized in the statement of operations.

The cost and related accumulated depreciation of assets retired or otherwise disposed of are eliminated from the accounts in the year of retirement or disposal with the resulting gain or loss, if any, included in current operations.

Depreciation applicable to facilities and equipment acquired through donations or through grant funds is charged against current operations.

The cost of acquisition and construction of major facilities and equipment is recorded in construction in progress. As facilities are completed and become operative they are transferred to the facilties and equipment accounts.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest expense - Interest expense incurred during the construction period on major construction projects funded by revenue bond proceeds is capitalized and amortized over the term of the related bonds. All other interest costs are charged against current operations.

Restricted assets - Investments included in restricted assets are stated at the lower of cost or market, less amortization of bond premiums or discounts.

Investment of funds deposited for capital outlay are made by the City on behalf of the Port. Investment of funds deposited for bond interest and redemption is made by the fiscal agent for the Port.

2. TRANSACTIONS WITH MAJOR TENANT

During 1977, the Port had included estimated revenues from a major tenant in developing operations projections, which had caused the previous auditors to express a qualified opinion on the financial statements subject to the effects, if any, on such financial statements of the ultimate realization of these projections.

The Port's revenues from this major tenant were approximately $2,800,000 and $2,500,000 in 1978 and 1977 and consisted principally of property rentals. At June 30, 1978 outstanding accounts receivable from this major tenant approximated $2,400,000 for which substantial reserves had been provided causing a significant increase in operating expenses. On August 4, 1978 the major tenant was adjudicated bankrupt.

In order to compensate for the loss of revenue from this tenant, the Port has reduced expenses and is negotiating with new steamship lines to increase revenues from maritime operations. The current revenue projections exceed anticipated operating expenses. Therefore, the qualification on the previous year's financial statements is not made in this year's accountants' opinion.

3. FACILITIES, PROPERTY AND EQUIPMENT

At June 30, 1978 facilities, property and equipment, less accumulated depreciation and amortization, consisted of the following:

		Estimated useful life (years)
Land	$ 99,277,236	
Buildings, structures and improvements	107,588,080	15-50
Equipment	2,714,916	5-50
	209,580,232	
Less depreciation and amortization	56,409,944	
	153,170,288	
Construction work in progress	3,189,494	
	$156,359,782	

The Revenue Bonds are secured by a lien on the net revenues of the Port, as defined, and are subordinated to the lien of the holders of outstanding general obligations bonds of the State of California and are on a parity with any future revenue bonds issued. The general obligation bonds issued by the City are subordinated to the Revenue Bonds and any future revenue bonds issued.

The Revenue Bonds of the Port provide, among other covenants, that net revenues, as defined, be sufficient to equal 1.3 times the debt service requirements of revenue bonds for the ensuing twelve months. At June 30, 1978, the Port met this provision.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1978

4. BONDED DEBT

At June 30, 1978, bonded debt consisted of the following:

	Interest Rates	Year Last Series Matures	Original Amount	Current	Long-Term
General obligation bonds:					
State of California:					
India Basin 1909	4%	1985	$ 853,000	$ 14,000	$ 73,000
Second Seawall 1909	4%	1985	9,000,000	115,000	672,000
Third Seawall 1913	4%	1989	9,450,000	135,000	1,320,000
Fourth Seawall 1929, Series A to G	1.5 - 3.25%	1983	10,000,000	205,000	410,000
Fifth Seawall 1958, Series A, B, F and H	1.0 - 5.5%	1998	50,000,000	2,010,000	26,655,000
City and County of San Francisco - Harbor Improvement 1971:					
Series A	4.5 - 6.0%	2003	20,000,000	800,000	19,200,000
Series B	5.4 - 6.75%	2005	10,000,000	-	10,000,000
Total general obligation bonds			109,303,000	3,279,000	58,330,000
Revenue bonds:					
Series A 1969	1.0 - 8.5%	1999	11,000,000	100,000	10,200,000
Series B 1971	5.25 - 6.75%	2001	9,000,000	150,000	8,175,000
Total revenue bonds			20,000,000	250,000	18,375,000
			$129,303,000	$3,529,000	$76,705,000

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1978

4. BONDED DEBT (Continued)

The bonds mature as follows:

Year Ended June 30	General Obligation Bonds: State of California	General Obligation Bonds: City and County of San Francisco	Revenue Bonds	Total
1979	$ 2,479,000	$ 800,000	$ 250,000	$ 3,529,000
1980	2,439,000	800,000	250,000	3,489,000
1981	2,439,000	800,000	275,000	3,514,000
1982	2,314,000	800,000	375,000	3,489,000
1983	2,314,000	800,000	400,000	3,514,000
1984-1989	9,079,000	4,000,000	2,625,000	15,704,000
Remainder	10,545,000	22,000,000	14,450,000	46,995,000
	$31,609,000	$30,000,000	$18,625,000	$80,234,000

5. PENSION PLANS

The Port participates in the State of California Public Employees' Retirement System (PERS), the City and County of San Francisco Employees' Retirement System (ERS), and the Railroad Retirement Act. These plans are contributory plans providing retirement, disability and death benefits for substantially all salaried employees. Pension plan costs, including amortization of prior service costs over periods ranging from 10 to 20 years, are charged to expense and funded annually. The excess, if any, of actuarially computed vested benefits over the various pension fund assets is not available.

In May 1976, PERS asserted that, as a result of the depooling of Port employees, the Port was required to fund approximately $2,300,000 of prior service costs and additional normal costs over some future period. The total amount to be funded was based upon an actuarial study conducted in 1975. This additional unfunded liability has subsequently been reviewed by an independent actuary, engaged by the Port, and determined to be appropriate based on current information and the actuarial assumptions used by PERS. The Port has elected to fund this liability over a 20 year period. Additionally, the Port's contribution rate increased from 9.37% to 10.37% of covered employees compensation, effective July 1, 1977.

The uncertainty of the additional pensions costs referred to in the preceding paragraph as of June 30, 1977 caused the previous auditors to express a qualified opinion on the financial statements subject to the effects, if any, on such financial statements of the ultimate resolution of these matters.

5. PENSION PLANS (Continued)

The latest actuarial valuation of the ERS plan was made as of June 30, 1976. For the year then ended the independent accountant's report on examination of the plan's financial statements was qualified with respect to the ultimate recovery of the carrying value of stock investments of the plan.

Total pension expense for 1978 was $805,000.

6. COMMITMENTS AND CONTINGENT LIABILITIES

The Port is presently negotiating various development projects which may commit the Port to expend significant capital funds, should negotiations prove successful. In addition to the use of existing capital outlay funds, the Port may seek additional financing or refinancing to meet these commitments.

Under a Management Advisory Contract signed in December 1973, the Port transferred the belt railroad operations to Port Railroad, Inc. The terms of this agreement require Port Railroad, Inc. to operate the railroad for a period of twenty years. The contract is cancellable by Port Railroad, Inc. after December 1978, upon nine months' prior written notice.

The Port is a defendant in several suits arising in the normal course of business. Port Management believes that the ultimate liability, if any, for these claims would not have a significant affect on the financial statements.

7. SUBSEQUENT EVENT

Subsequent to June 30, 1978, Pier 40 was damaged by fire. The Pier was insured and upon settlement with the insurance company, the proceeds of settlement will be restricted to reconstruction of facilities or redemption of outstanding bonds.

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PORT COMMISSION

ANNUAL REPORT

1978-79

Port Commission

James J. Rudden, President
Harry Bridges
Eugene L. Gaetland
Jack Morrison
Alan E. Rothenberg

Port Director

Edward L. David

History

The Port Commission has been a city agency since 1969. During the last ten years many changes have occurred brought about by market influences and financial constraints. The revenue has continued to increase from 12 million to 19 million or at nearly a 5% compounded annual growth rate over the 10-year period. Tonnage has declined from 3.7 million to 2.5 million and the number of employees have been reduced by nearly half, 388 to 205. Commercial recreation has become the major revenue producer as maritime business moved to Oakland or declared bankruptcy. It has been clear through this period that the maritime facilities would require subsidy from the commercial recreation facilities. The programmatic planning will for the first time permit management to quantify this subsidy and control it. Through it all the Port has remained profitable and not required ad valorem funding and it now is positioned to build on its strengths and capitalize on the opportunities which are before it.

Departmental Totals

In total for 1978-79 the Port revenue is projected as of August 24, 1979 to be 8.5% above budget and 1979-80 revenue is conservatively budgeted 4.0% below that projection.

Port expenditures for 1978-79 are projected as of August 24, 1979 to be 8.8% below budget and 1979-80 expenditures are budgeted 8.3% above that projection but below last year's budget.

Port contribution to unappropriated surplus is projected as of August 24, 1979 to be 2.3 million versus a budget from unappropriated surplus of .7 million. The $3 million increase in contribution to unappropriated revenue primarily is the result of increased revenue in the maritime program with decreased expenditures in all programs and also to the inclusion of non-operating miscellaneous revenues in the finance and administration program which were not budgeted.

Maritime Program

000's

	Projection 78-79	Budget 78-79	Budget 79-80
Revenue	7489	6285	7765
Expense	427	527	558

The addition of two new shipping lines, Lykes Bros. and Evergreen plus the first full year of operating the Pier 96 terminal unencumbered by PFEL bankruptcy have contributed to the improved maritime program. It is

anticipated that the 1979-80 budgeted revenue will be achieved in spite of a down-turning economy.

Our objective is to attract new maritime business while maintaining and even improving our level of service to our existing customers. The marketing and wharfinger expense associated with this program has been increased to bolster this effort.

Commercial Program
000's

	Projection 78-79	Budget 78-79	Budget 79-80
Revenue	9406	10105	9735
Expense	1541	1930	1811

The down-turning economy has reduced the tourist business and resulted in 1978-79 commercial recreation revenues nearly 7% below budget; that problem was reflected in the 1979-80 budget and provided that the level of business holds at this reduced rate the inflation alone in prices of our percentage rental customers will achieve the 1979-80 budget through increased percentage revenue to the Port.

The expense includes the commercial power which is billed out to tenants. The annual amount fluctuates depending on payment of monthly bills and usage by as much as $200,000. Eliminating that figure from expense:

000's

	Projection 78-79	Budget 78-79	Budget 79-80
Expense w/o power	419	538	486

The resultant figures reflect the decrease in spending last year. 1979-80 budget was prepared from the 1978-79 budget and reflects the savings from using an outside janitorial service in the Ferry Building.

Engineering and Maintenance Program
000's

	Projection 78-79	Budget 78-79	Budget 79-80
Revenue	199	120	70
Expense	3806	4644	5068

Revenue for this program represents requests from tenants for crafts services. This has been deemphasized due to the reduction in crafts manpower level and the need for more concentration on the port facilities.

The expense was held under budget for 1978-79. However, the cost of fringes and salaries-crafts have increased by 27% for 1979-80 which points out the need for objectives which are organizational and manpower oriented. The efficiency and production in this area must be increased to offset the spiralling cost of city crafts workers.

Finance and Administration Program

000's

	Projection 78-79	Budget 78-79	Budget 79-80
Revenue	1727	840	500
Expense	10724	10991	10429

Revenue in finance and administration consists of interest on cash investments and miscellaneous non-operating revenue such as insurance proceeds or fund transfers. 1979-80 performance reflects $770M such non-operating revenue. None was budgeted for either year. Interest income will be reduced in 1979-80 since our level of available cash has been reduced by the $2.5 million capital expenditures for container cranes.

Expense includes $7.5 million debt service in 1978-79 and $.7 million fireboat expense without which the cost of finance and administration was 13% of total revenue. The major objective for 1979-80 is to install a management information system which will provide an information base from which to build port revenue without increasing the cost. The eventual target will be to reduce finance and administration below 10% of port revenue while satisfying most of the administrative requirements of all programs.

Conclusion

The Port has an opportunity to perform in a private enterprise mode which will generate increased maritime activity, commercial development in non maritime areas, increase number of waterfront jobs and open space for community activity near the water. Financially, 1978-79 was a very successful year for the Port. It is essential that surplus funds be earmarked for key capital projects and that additional funds be generated to build facilities that conform to market trends and offer the Port an opportunity to compete in the Bay Area maritime market. 1979-80 will be the base planning year to accomplish these tasks.

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CITY AND COUNTY OF SAN FRANCISCO
PORT OF SAN FRANCISCO

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1979 AND 1978

WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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Main Hurdman & Cranstoun

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1979 AND 1978

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Main Hurdman & Cranstoun
certified public accountants

Suite 2500
Two Embarcadero Center
San Francisco, CA 94111
(415) 981-7720

The Honorable John C. Farrell, Controller
City and County of San Francisco
Port of San Francisco

We have examined the balance sheet of the Port of San Francisco, as of June 30, 1979 and 1978, and the related statements of operations, equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The land asset of the Port of San Francisco was increased in prior years by approximately $56,000,000 to reflect appraised values of 1929. Under generally accepted accounting principles the excess of appraised value over stated cost should not be capitalized.

In our opinion, except for the effects of capitalizing the excess of appraised value over stated cost of land, as discussed in the preceding paragraph, such financial statements, present fairly the financial position of the Port of San Francisco at June 30, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Main Hurdman & Cranstoun

November 26, 1979

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

BALANCE SHEET

JUNE 30, 1979 AND 1978

ASSETS

	1979	1978
Current assets		
Cash	$ 3,264,201	$ 260,016
Accounts receivable (less allowance for doubtful accounts of $2,934,629 and $2,459,544)	2,847,228	3,192,039
Materials and supplies (Note 1)	306,215	210,814
Prepaid insurance	313,575	318,984
Total current assets	6,731,219	3,981,853
Restricted assets (Note 1 and 3)		
Cash and investments		
Capital outlay	5,337,084	8,172,445
Bonded interest and redemption	2,081,306	1,935,994
Accrued interest receivable	185,198	134,781
Receivable from the City and County of San Francisco - Revenue Sharing Program	91,112	91,112
	7,694,700	10,334,332
Facilities, property and equipment (Notes 1 and 4), net	157,229,895	156,359,782
Deposits	655,097	451,354
	$172,310,911	$171,127,321

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND EQUITY

	1979	1978
Current liabilities		
Accrued expenses	$ 2,499,958	$ 1,422,987
Payable to the City and County of San Francisco	809,290	870,824
Deferred income (Note 1)	125,660	104,766
Bond interest payable	420,667	441,605
Bonded debt maturing within one year (Note 5)	3,489,000	3,529,000
Total current liabilities	7,344,575	6,369,182
Lease deposits and customer advances	669,354	669,028
Bonded debt, less current maturities (Note 5)	73,216,000	76,705,000
Commitments and contingent liabilities (Notes 3,6,7 and 8)		
Equity		
Accumulated earnings	23,307,042	21,076,268
Contributions in aid of construction	11,710,738	10,244,641
Revaluation of property (Note 1)	56,063,202	56,063,202
	91,080,982	87,384,111
	$172,310,911	$171,127,321

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF OPERATIONS

YEARS ENDED JUNE 30, 1979 AND 1978

	1979	1978
Operating revenues		
Property rentals	$ 9,561,337	$10,706,432
Wharfage, dockage and demurrage	6,048,508	4,023,379
Commercial power	1,494,952	1,777,577
Interest income	1,131,269	849,543
Other	1,107,363	1,463,746
	19,343,429	18,820,680
Operating expenses		
Interest expense	3,994,363	4,102,199
Maintenance	4,682,157	4,337,997
Depreciation and amortization	2,967,167	3,018,519
Operations	3,072,250	4,547,314
Commercial power	1,155,486	1,363,748
Fire boat operations	694,516	468,257
Insurance	764,326	790,536
	17,330,265	18,628,570
Operating income	2,013,164	192,107
Non-operating income		
Fire insurance proceeds (Note 3)	217,610	-
Net income	$ 2,230,774	$ 192,107

The accompanying notes are an integral part of these financial statements.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF EQUITY

YEARS ENDED JUNE 30, 1979 AND 1978

	Total Equity	Accumulated Earnings	Contributions in aid of Construction	Revaluation of Property
Balance, July 1, 1977	$86,034,711	$20,884,161	$ 9,087,348	$56,063,202
Net income as previously reported	1,300,516	1,300,516		
Restatement for federal aid (Note 2)		(1,108,409)	1,108,409	
Additions to contributions in aid of construction	48,884		48,884	
Balance at June 30, 1978 as restated	87,384,111	21,076,268	10,244,641	56,063,202
Net income	2,230,774	2,230,774		
Federal aid	1,418,706		1,418,706	
Additions to contributions in aid of construction	47,391		47,391	
Balance, June 30, 1979	$91,080,982	$23,307,042	$11,710,738	$56,063,202

The accompanying notes are an integral part of these financial statements.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED JUNE 30, 1979 AND 1978

	1979	1978
Working capital provided from		
Net income	$2,230,774	$ 192,107
Add charges not affecting working capital		
Depreciaton and amortization	2,967,167	3,018,519
Working capital provided from operations	5,197,941	3,210,626
Decrease in restricted assets	2,639,632	496,552
Additions to contributions in aid of construction	47,391	48,884
Decrease in deposits	-	577,325
Federal aid	1,418,706	1,108,409
Total working capital provided	9,303,670	5,441,796
Working capital used for		
Retirement of long-term debt	3,489,000	3,529,000
Additions to facilities, property and equipment	3,836,954	2,492,257
Decrease in lease deposits and customer advances	-	238,614
Increase in deposits	203,743	-
Total working capital used	7,529,697	6,259,871
Increase (decrease) in working capital	$1,773,973	$ (818,075)
Changes in working capital		
Increase (decrease) in current assets		
Cash	$3,004,185	$ (818,707)
Accounts receivable	(344,811)	1,369,506
Materials and supplies	95,401	(95,462)
Prepaid insurance	(5,409)	(10,936)
	2,749,366	444,401
(Increase) decrease in current liabilities		
Accrued expenses	(1,076,971)	133,011
Payable to the City and County of San Francisco	61,534	(635,217)
Deferred income	(20,894)	51,792
Bond interest payable	20,938	12,938
Current portion of long-term debt	40,000	(825,000)
	(975,393)	(1,262,476)
Increase (decrease) in working capital	$1,773,973	$ (818,075)

The accompanying notes are an integral part of these financial statements.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1979 AND 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and method of accounting - Prior to February 7, 1969, the Port of San Francisco ("Port") was owned by the State of California. On February 7, 1969, the Port was transferred to the City and County of San Francisco ("City") under the terms and conditions specified in the State of California statutes of 1968, Chapter 1333, as amended, and as ratified by the general election of the City and County of San Francisco on November 5, 1968.

The Port is an enterprise fund of the City. All the accounts of the Port are maintained on the accrual basis.

Revenue recognition - Lease revenue from the rental of building spaces, ground areas and facilities is accounted for under the "operating method". Under this method, lease revenue is earned as it becomes due over the term of the lease, and the related expenses including depreciation and maintenance are included in operating expense as incurred.

Materials and supplies - Materials and supplies are used for construction or maintenance of Port facilities and are stated at cost (principally average cost).

Facilities, property and equipment- Facilities, property and equipment are stated at cost except that the land asset was increased in prior years by approximately $56,000,000 to reflect appraised values of 1929. Depreciation is provided on the straight-line method based upon the estimated useful lives of the related depreciable assets.

Maintenance, repairs and minor replacements are expensed as incurred. Expenditures for major replacements and improvements resulting in increased value or extension of useful lives are capitalized, unless such costs are reimbursed by tenants. The cost of the improvements and related reimbursement are deferred until completed, at which time the costs and related revenue are recognized in the statement of operations.

The cost and related accumulated depreciation of assets retired or otherwise disposed of are eliminated from the accounts in the year of retirement or disposal with the resulting gain or loss, if any, included in current operations.

Depreciation applicable to facilities and equipment acquired through donations is charged against current operations. Upon completion of construction on those facilities financed by grant funds, the related depreciation will be charged directly against contributions in aid of construction.

The cost of acquisition and construction of major facilities and equipment is recorded in construction in progress. As facilities are completed and become operative they are transferred to the facilities and equipment accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest expense - Interest expense incurred during the construction period on major construction projects funded by revenue bond proceeds has been capitalized and is being amortized over forty years. All other interest costs are charged against current operations. No interest was capitalized during 1979 or 1978.

Restricted assets - Investments included in restricted assets are stated at the lower of cost or market, less amortization of bond premiums or discounts.

Investment of funds deposited for capital outlay are made by the City on behalf of the Port. Investment of funds deposited for bond interest and redemption is made by the fiscal agent for the Port.

Reclassification - Certain reclassifications have been made to 1978 financial statements to conform to the 1979 presentation.

2. RESTATEMENTS OF PRIOR YEAR'S FINANCIAL STATEMENTS

Fiscal year 1978 has been restated to correct prior reporting of federal aid. To the extent that such aid is used for capital projects, it is reported as additional contributions in aid of construction. This restatement has resulted in a reduction of net income for the year ended June 30, 1978, in the amount of $1,108,409 and an increase in contributions in aid of construction in the same amount. This restatement also resulted in a reclassification of $179,109 from non-operating income to other operating revenues for the year ended June 30, 1978.

3. FIRE INSURANCE PROCEEDS

On August 7, 1978, Pier 40 was destroyed by fire. The Port has received insurance proceeds amounting to $217,610 in partial settlement of the loss. An additional $194,307 may be received if the Port reconstructs the bulkhead building at a cost of not less than $388,614.

Under the terms of the revenue bond convenants, the insurance proceeds may be used for reconstruction of the property or for construction of other related property. If the proceeds are not used for these purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231.

At June 30, 1978, the Port had taken no action with respect to the use of the insurance proceeds and has included them in the capital outlay fund.

4. FACILITIES, PROPERTY AND EQUIPMENT

At June 30, 1979 and 1978, facilities, property and equipment, less accumulated depreciation and amortization, consisted of the following:

	1979	1978	Estimated useful life (years)
Land	$100,729,521	$ 99,277,236	
Buildings, structures and improvements	110,439,053	107,588,080	15-50
Equipment	2,751,077	2,714,916	5-40
	213,919,651	209,580,232	
Less depreciation and amortization	59,725,450	56,409,944	
	154,194,201	153,170,288	
Construction work in progress	3,035,694	3,189,494	
	$157,229,895	$156,359,782	

The revenue bonds are secured by a lien on the net revenues of the Port, as defined, and are subordinated to the lien of the holders of outstanding general obligation bonds of the State of California and are on a parity with any future revenue bonds issued. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds issued.

The revenue bonds of the Port provide, among other convenants, that net revenues, as defined, be sufficient to equal 1.3 times the debt service requirements of revenue bonds for the ensuing twelve months. At June 30, 1979 and 1978, the Port complied with this provision.

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

JUNE 30, 1979 AND 1978

5. BONDED DEBT

Bonded debt consisted of the following:

	Interest Rates	Year Last Series Matures
General obligation bonds:		
State of California:		
India Basin 1909	4%	1985
Second Seawall 1909	4%	1985
Third Seawall 1913	4%	1989
Fourth Seawall 1929, Series A to G	1.5 - 3.25%	1983
Fifth Seawall 1958, A, B, F and H	1.0 - 5.5%	1998
City and County of San Francisco - Harbor Improvement 1971:		
Series A	4.5 - 6.0%	2003
Series B	5.4 - 6.75%	2005
Total general obligation bonds		
Revenue bonds:		
Series A 1969	1.0 - 8.5%	1999
Series B 1971	5.25 - 6.75%	2001
Total revenue bonds		

iginal mount	Balance at June 30, 1979 Current	1979 Long-term	1978 Current	1978 Long-term
853,000	$ 14,000	$ 59,000	$ 14,000	$ 73,000
,000,000	115,000	557,000	115,000	672,000
,450,000	135,000	1,185,000	135,000	1,320,000
,000,000	165,000	245,000	205,000	410,000
,000,000	2,010,000	24,645,000	2,010,000	26,655,000
,000,000	800,000	18,400,000	800,000	19,200,000
,000,000	-	10,000,000	-	10,000,000
,303,000	3,239,000	55,091,000	3,279,000	58,330,000
,000,000	100,000	10,100,000	100,000	10,200,000
,000,000	150,000	8,025,000	150,000	8,175,000
,000,000	250,000	18,125,000	250,000	18,375,000
,303,000	$3,489,000	$73,216,000	$3,529,000	$76,705,000

5. BONDED DEBT (Continued)

The bonds mature as follows:

Year ended June 30,	State of California	City and County of San Francisco	Revenue Bonds	Total
1980	$ 2,439,000	$ 800,000	$ 250,000	$ 3,489,000
1981	2,439,000	1,200,000	275,000	3,914,000
1982	2,314,000	1,200,000	375,000	3,889,000
1983	2,314,000	1,200,000	400,000	3,914,000
1984	1,899,000	1,200,000	400,000	3,499,000
1985-1980	8,920,000	6,000,000	2,925,000	17,845,000
Remainder	8,805,000	17,600,000	13,750,000	40,155,000
	$29,130,000	$29,200,000	$18,375,000	$76,705,000

6. PENSION PLANS

The Port participates in the State of California Public Employees' Retirement System (PERS), the City and County of San Francisco Employees' Retirement System (ERS), and the Railroad Retirement Act. These plans are contributory plans providing retirement, disability and death benefits for substantially all salaried employees. Pension plan costs, including amortization of prior service costs over periods ranging from 10 to 20 years, are charged to expense and funded annually. The excess, if any, of actuarially computed vested benefits over the various pension fund assets is not available.

In May 1976, PERS asserted that, as a result of the depooling of Port employees, the Port was required to fund approximately $2,300,000 of prior service costs and additional normal costs over some future period. The total amount to be funded was based upon an actuarial study conducted in 1975. This additional unfunded liability has subsequently been reviewed by an independent actuary, engaged by the Port, and determined to be appropriate based on current informatiion and the actuarial assumptions used by PERS. The Port has elected to fund this liability over a 20 year period. Additionally, the Port's contribution rate increased from 9.37% to 10.37% of covered employees compensation, effective July 1, 1977 and to 14.29% effective July 1, 1978.

6. PENSION PLANS (Continued)

The latest acturial valuation of the ERS plan was made as of June 30, 1976. For the year then ended the independent accountant's report on examination of the plan's financial statements was qualified with respect to the ultimate recovery of the carrying value of stock investments of the plan.

The total pension expense for 1979 and 1978 was $751,923 and $805,480, respectively.

7. TRANSACTIONS WITH MAJOR TENANTS

During the year ended June 30, 1978, the Port has included operating revenues of approximately $2,800,000 from a major maritime tenant which was adjudicated a bankrupt in August 1978. At June 30, 1979 and 1978 accounts receivable approximated $2,000,000 from this major tenant has been fully reserved which was charged to operating expenses in 1978.

During the year ended June 30, 1979, the Port has included operating revenues of approximately $750,000 from another maritime tenant which was adjudicated a bankrupt in December 1978. At June 30, 1979, outstanding accounts receivable from this tenant approximated $260,000 which has been fully reserved by a charge to operating expenses.

8. COMMITMENTS AND CONTINGENT LIABILITIES

The Port is presently negotiating various development projects which may commit the Port to expend significant capital funds, should negotiations prove successful. In addition to the use of existing capital outlay funds, the Port may seek additional financing or refinancing to meet these commitments.

Under a Management Advisory Contract signed in December 1973, the Port transferred the belt railroad operations to Port Railroad, Inc. The terms of this agreement require Port Railroad, Inc. to operate the railroad for a period of twenty years. The contract is cancellable by Port Railroad, Inc. after December 1978, upon nine months' prior written notice.

8. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The Port is a defendant in thirty-one lawsuits; most of these deal with personal injury or property damage as a result of fire, and are adequately covered by insurance. A substantial number of these lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of that litigation. In the opinion of counsel, the likelihood of an unfavorable outcome is probable in some of these suits and pursuant to Statement No. 5 of the Financial Accounting Standards Board a charge to operating expenses has been provided for the amount of the deductible under the applicable insurance policy for the year ended June 30, 1979.

THE PORT OF SAN FRANCISCO

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Port Commission
Annual Report
1979-80

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The Year Ahead

Fiscal year 1980 is adding up to be the most profitable year in the history of the Port of San Francisco. When all figures are in and audited, earnings from operations are expected to total $3.5 million, or a nearly 80% increase over 1979. This significant gain is the result of increased revenues from maritime and commercial activities while expenses were controlled. The Port's total revenue in fiscal 1980 was over $20 million.

These figures compared with those of 1979 dramatize the new financial vitality of the Port of San Francisco.

Important to the Port's turnaround and renewed growth pattern is the Port Commission's positive leadership and a progressive administration established during the past two years. Through a new operating program of "management by objectives," program goals have been set in the four basic areas of Maritime, Commercial, Engineering/Maintenance and Administration/Finance.

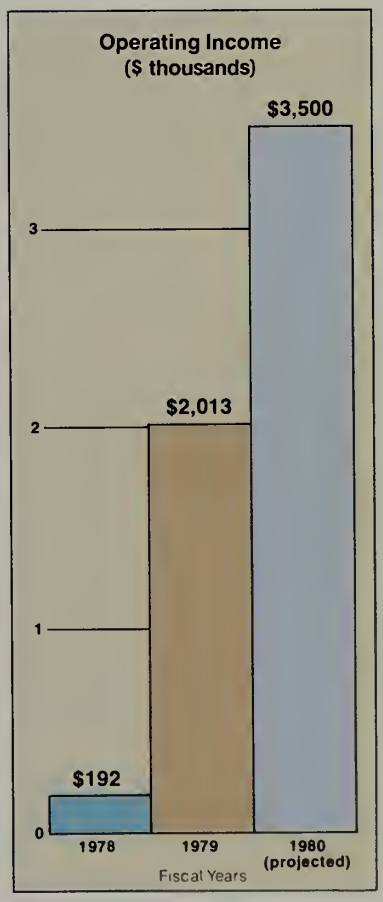
In *Maritime* the basic goal has been *to increase maritime business and revenue and to provide service to the shipping industry.* For calendar year 1979, tonnage increased a substantial 19.6%. During this period two steamship companies — Lykes Line and Evergreen Line — became tenants, while a new steamship company, Papua New Guinea Line, joined the Port early in 1980. Also during fiscal 1980, a comprehensive maritime strategy for the entire waterfront was developed.

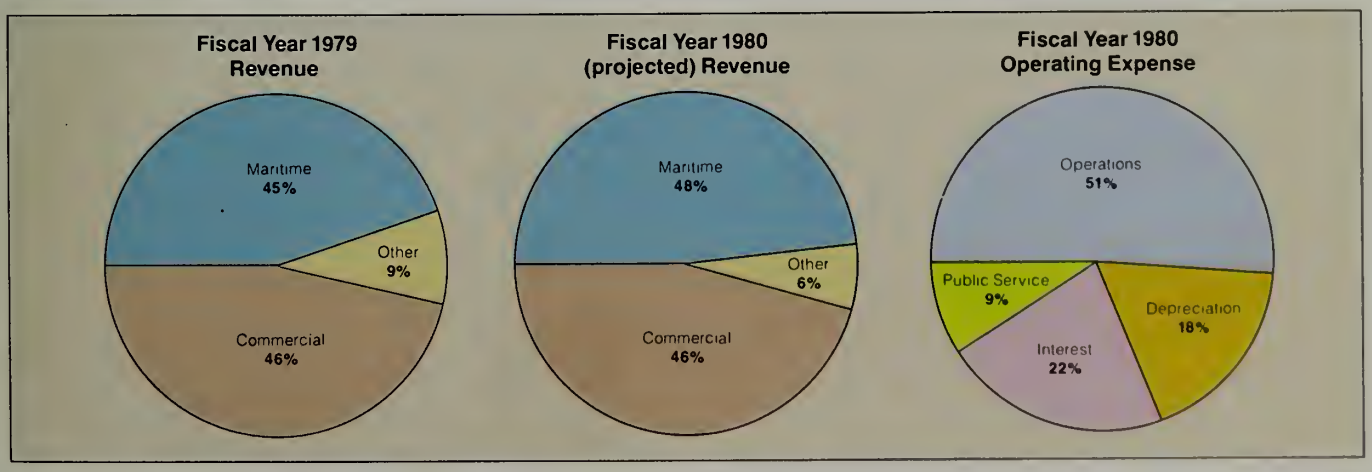
In the *Commercial* area, the goal has been *to lease all space not currently required for Maritime at its highest and best use for maritime support industries or commercial recreation to provide revenue for new maritime services and facilities.* Concentration this year was on the transfer of the northern waterfront lots, participation in the Levi Plaza project, and the finalization of Pier 39 agreements to provide the opportunity for success.

The continuing goal in *Engineering and Maintenance* has been *to plan and maintain the new and existing facilities required to promote maritime trade and to sustain commercial property activity.* This year has seen increased direction and control through the development of a comprehensive maintenance plan.

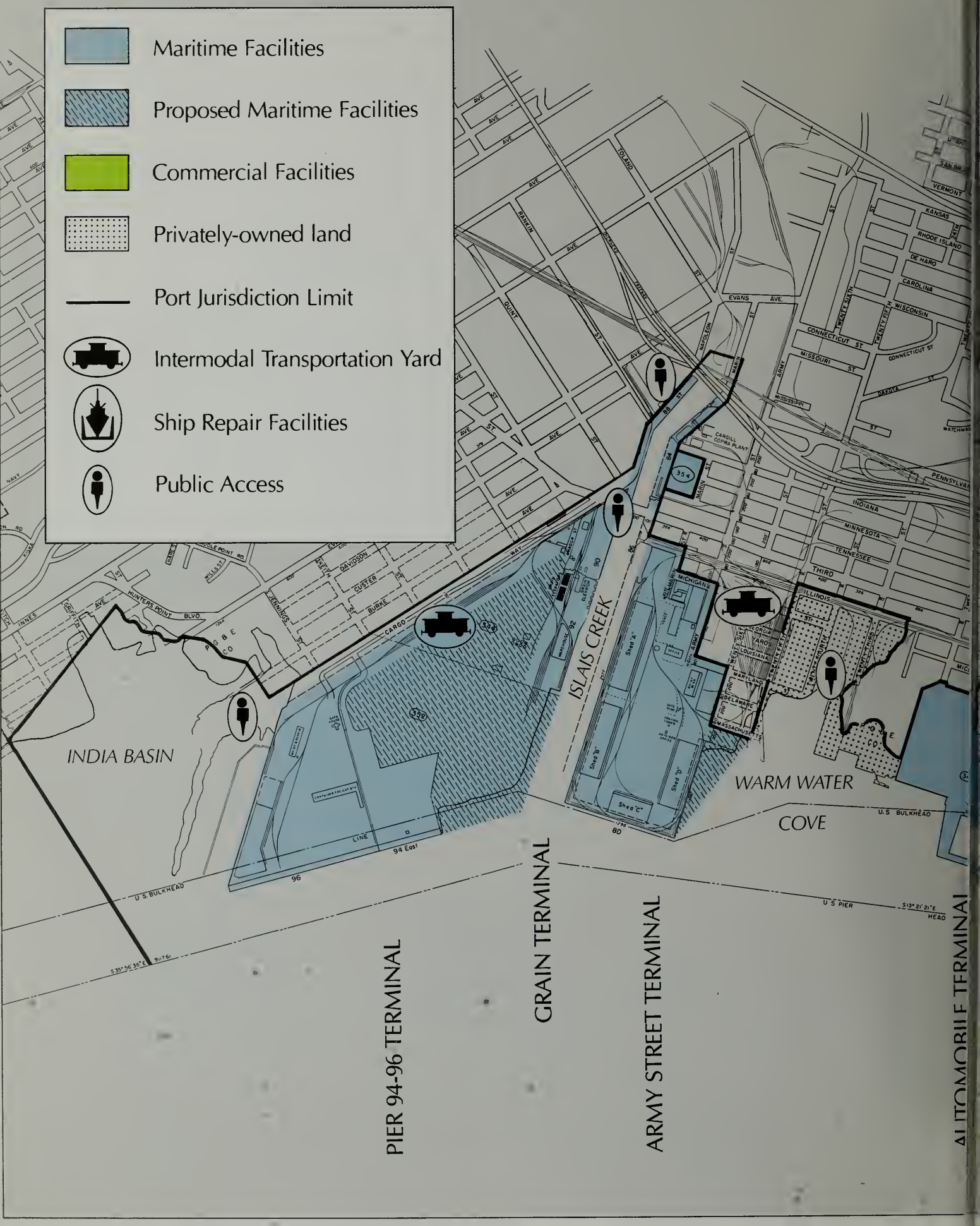
To further the *Administration and Finance* goal of *providing effective management, financial control and quality administrative services,* modern data processing equipment was installed.

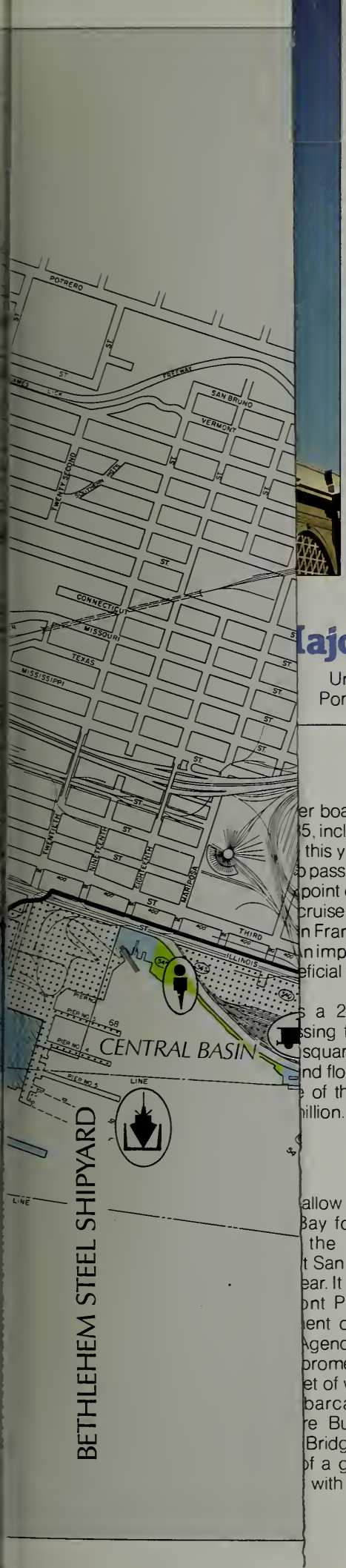
New objectives have recently been established to continue this forward movement of the Port into 1980-81.





THE PORT OF SAN FRANCISCO





Waterfront Promenade

Pier 94-96

Pier 35

Major Projects Under Development

Unappropriated surplus funds from the increased earnings of the Port of San Francisco will help make possible the following projects.

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ways on either side, two plaza areas with benches and platforms to view the water and city, and a high "leaning rail" at the south end of the project.

Construction will be completed in June, 1981 and is being financed, in part, by a federal grant from the Local Public Works Program of the Economic Development Administration.

Expansion of Rail Capabilities to Pier 94-96

New track construction, as well as reconstruction of existing track, from the Terminal to Southern Pacific's mainline track has been designed to allow unit train access onto the Container Terminal.

The Container Terminal is composed of Piers 94-96. This 65 acre three-berth facility is serviced by 4 rail-mounted cranes and represents a $45 million capital investment. An additional 75 acres of expansion area lies adjacent to the Pier.

Direct rail access to this terminal will position San Francisco as a competitive intermodal port offering direct land-bridge and mini-bridge services through Port facilities. By being able to move containers directly from ship to rail, carriers will have the advantages of reduced costs, better control of containers and less damage.

San Francisco will be the first port in California with this capability

This project is scheduled for completion in 1981, at a cost of approximately $1 7 million.

Restoration and Development of the Ferry Building Complex

The Port has entered into an agreement with Continental Development Corporation for the restoration and adaptive re-use of the Ferry Building Complex, which includes the Ferry Building, the Agriculture Building, Pier One and Ferry Plaza East.

I. M. Pei & Partners, one of the world's leading architectural firms, has been selected as designer for the Ferry Building Complex. Pei and his firm are known for many outstanding works including the East Wing of the National Gallery in Washington and the National Center for Atmospheric Research outside Boulder, Colorado

Since the Ferry Building has been placed on the National Register of Historic Places, the exterior changes will be limited to restoring the building to its original design The interior will be almost completely redesigned and will contain predominantly public spaces and offices, with some restaurants and shops on the first floor

Built in 1898, the Ferry Building is one of the few San Francisco buildings to survive the 1906 earthquake For many years it was San Francisco's welcoming beacon and stands today as a venerable symbol of San Francisco itself

The Port's intentions in initiating this development have been to protect the visual significance of the building and to increase its economic use while retaining control over its redevelopment

Work should begin during 1982

BETHLEHEM STEEL SHIPYARD
CENTRAL BASIN
MISSION ROCK TERMINAL
CHINA BASIN
FERRY BUILDING
PASSENGER TERMINAL
PIER 39
FISHERMAN'S WHARF
AQUATIC PARK
FORT MASON

Ferry Building

Waterfront Promenade

Pier 94-96

Pier 35

Major Projects Under Development

Unappropriated surplus funds from the increased earnings of the Port of San Francisco will help make possible the following projects

Improvements to Pier 35 Passenger Terminal

Improvements to the passenger boarding and unloading facilities at Pier 35, including a new customs area, will begin this year

Pier 35 is the major steamship passenger facility in the Bay Area and the point of disembarkation for thousands of cruise passengers who look forward to San Francisco as a port of call or destination. An improved passenger terminal will be beneficial to our city and its tourist industry

The area involved contains a 20,000 square foot passenger processing facility on the first floor with a 10,000 square foot visitor waiting area on the second floor

The cost of the initial phase of the improvement is estimated at $1 million

Construction of Waterfront Promenade

The Promenade, designed to allow maximum public access to the Bay for the pleasure and enjoyment of the many people who work, live and visit San Francisco, will be constructed this year It is part of the Northeastern Waterfront Plan, a joint program of the Department of City Planning, the Redevelopment Agency and the Port of San Francisco The promenade area consists of 1600 linear feet of waterfront property along the Embarcadero extending from the Agriculture Building south to Pier 24 under the Bay Bridge

The basic design consists of a granite faced bench facing the water with walkways on either side, two plaza areas with benches and platforms to view the water and city, and a high "leaning rail" at the south end of the project

Construction will be completed in June, 1981 and is being financed, in part, by a federal grant from the Local Public Works Program of the Economic Development Administration

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San Francisco will be the first port in California with this capability

This project is scheduled for completion in 1981, at a cost of approximately $1 7 million

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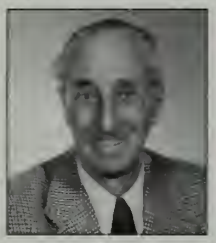
The Port's intentions in initiating this development have been to protect the visual significance of the building and to increase its economic use, while retaining control over its redevelopment

Work should begin during 1982

Dianne Feinstein
Mayor

James J. Rudden
President, Port Commission



Harry Bridges
Commissioner

Eugene L. Gartland
Commissioner

Jack Morrison
Commissioner

Alan E. Rothenberg
Commissioner

Edward L. David
Port Director

San Francisco's world famous Fisherman's Wharf

published by

The Port of San Francisco

Ferry Building
San Francisco, CA 94111
(415) 391-8000

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March 1981

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The Port of San Francisco

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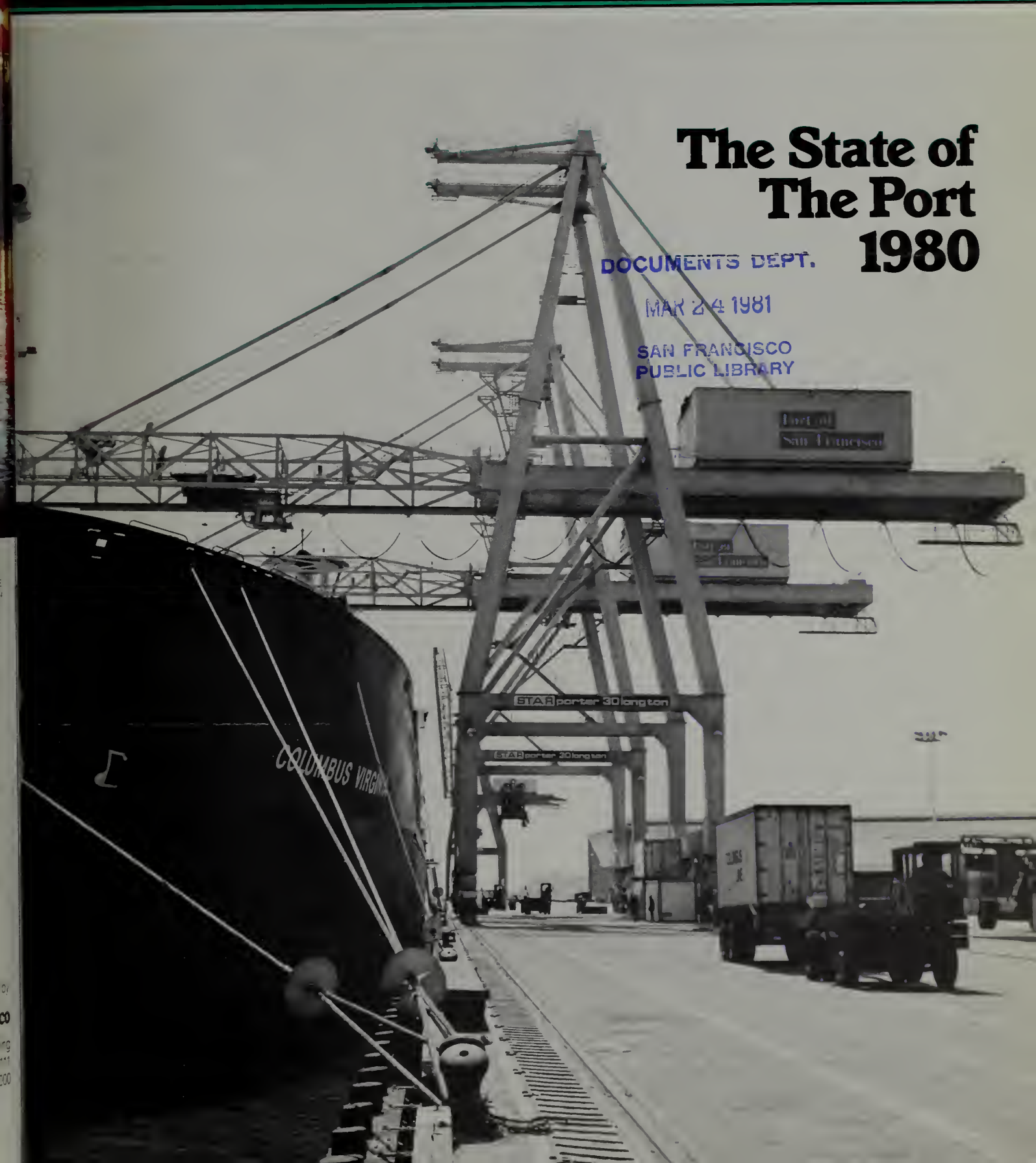


For the second consecutive year, the Port of San Francisco has shown a significant gain in revenues, earnings and tonnage.

Our 1979-1980 fiscal year turned out to be an even more favorable year for the Port than was expected from our earlier estimates both from the standpoint of overall revenue ($21 million) and from increased tonnage (3.0 million) through our facilities. Audited figures for the 12-month fiscal period ending June 30, 1980, show total earnings of $3,717,751, an 89% increase over last year's figures.

Our revenues at the Port come from two major sources—our maritime facilities, concentrated most heavily on the southern waterfront, and non-maritime property that we lease for commercial uses. Both revenue sources showed considerable gain last year. Maritime revenue increased because of added tonnage while the gain in commercial revenue was due primarily to rate increases and to inflation in tenant prices reflected in percentage rentals. Current projections indicate a continuing growth pattern into 1981.

We credit the strong financial turnaround and gain that the Port has experienced during the past two years to the increased utilization of maritime facilities, staff reorganization, and the implementation of management by objectives.

With the appointment of Ronald L. Stone as Deputy Director of Maritime Affairs, we have completed the reorganization of our management team. Stone joins Anthony J. Taormina, Deputy Director of Planning and Research, and Thomas K. Yerkes, Deputy Director of Finance and Administration.

The Port has made a total recovery since the Pacific Far East Line and States Line bankruptcies and has begun to earn the support and confidence of the shipping industry.

As the unappropriated revenues accumulate, the Port will begin to implement a capital improvement plan to refurbish and expand maritime facilities.

1980 was a very good year for the Port of San Francisco.

Following in this report you will meet the members of our management team who will review the accomplishments of the past year in their areas of responsibility and their outlook for the future.

Edward L. David

Edward L. David
Port Director

Maritime activities have increased steadily during 1980, establishing a sound base for continued growth and accounting for 47% of the Port's revenue. Total tonnage figures increased 29.5% with growth occurring in container and bulk cargoes.

With the establishment of scheduled liner service by Galleon Shipping Corporation and the addition of Papua New Guinea Line and Scan Pacific Line, a Finnish flag operator, linking San Francisco with Northern Europe, the Port now has 30 operators providing regular scheduled liner service to more ports and countries in the world than does any other West Coast port. San Francisco's success stems from the fact that it is the West Coast's most versatile and flexible port and is able to efficiently handle containerships, combination carriers, LASH, RO/RO, breakbulk, liquid and dry bulk, as well as passenger vessels.

Other developments include Continental Grain Company's assuming control of the Pier 90 grain terminal in late 1979. As a result grain tonnage has steadily increased.

The reorganization of the Port placed greater emphasis on marketing activities, demonstrating a firm commitment to participate fully and substantially in international trade and shipping.

The momentum generated in 1980 has continued into 1981, with the China Ocean Shipping Company's selecting the Port of San Francisco to inaugurate their monthly RO/RO container service between the West Coast and the People's Republic of China.

In addition, all approvals have been granted for the rail spur realignment that will enable unit trains to move onto the San Francisco Container Terminal at Pier 94-96. This will make this facility one of the most productive and cost effective container terminals in the U.S. and will greatly improve the Port's mini, micro, and land bridge operations.

Without a doubt, the year ahead holds great promise for the Port. Building on the Port's success in 1979 and 1980, the implementation of an aggressive marketing program emphasizing increased personal contact with the maritime industry and the general public, targeted media activities, and a total system approach to shipping operations will serve to further strengthen the Port's participation in international trade and shipping.

Ronald L. Stone

Ronald L. Stone
Deputy Port Director,
Maritime Affairs

The financial condition of the Port of San Francisco is the best it has been in recent years.

Operating income (earnings) for the fiscal year ending June 30, 1980 increased to $3,717,751 from $1,968,764 for 1979, and $217,610 for 1978.

While revenues to the Port increased, expenditures remained in control. We were able to reduce our insurance cost by 10% while increasing the liability coverage.

Perhaps the most significant area of accomplishment during fiscal year 1980 was the implementation of management by objectives.

This year we completed the implementation of the FIRM/FAMIS performance evaluation and reporting system which is being adopted by all city agencies. After the first year of this program, many of the performance measures have been revised to further enhance the management capability.

A MICRODATA 6000 Computer has been installed and became operational July 1, 1980. Our target is to have all informational systems working smoothly by mid-1981. We will be able to retrieve detailed statistics on revenues, tonnage, costs, personnel and tenants.

The new management information systems include a new payroll system, a new general ledger system, a new accounts receivable system, a new fixed assets and depreciation system and a new physical inventory valuation system.

In other areas, new Operating Grants of Authority were established and adopted by the Commission defining the responsibilities and levels of authority for members of the Port staff.

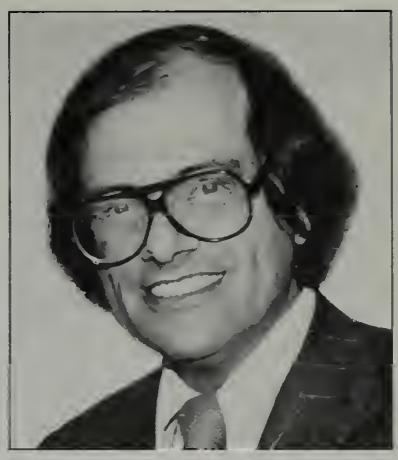
An Affirmative Action Plan was implemented within the Port to provide equal employment opportunities. Goals and timetables were set for achieving parity with the available labor market.

Also, we are pleased to report that personnel turnover was reduced by 46%.

And finally, this past year the Port entered into a Disposition and Development Agreement with Continental Development Corporation for the development and adaptive re-use of the Ferry Building Complex. This project is scheduled for reconstruction to begin in early 1982.

With continued favorable operations of the Port's maritime and commercial activities, and the further refinement and implementation of our management by objectives program, we should enjoy significant growth in earnings through the coming year.

Thomas K. Yerkes
Deputy Port Director,
Administration and Finance



1980 marked the first full year for the Port's newly established Planning and Research Department. The overall goal of the Department is to develop a master plan for the future of the Port of San Francisco from Fisherman's Wharf to Pier 94-96. To guide our specific planning, a Maritime Strategy for the entire waterfront was recently developed and adopted dividing the Port into ten major zones and identifying land use objectives.

This year, we have completed specific plans in two areas: a *Total Design Plan* for the waterfront area from Piers 7 through 24, and the *Northeastern Waterfront Redevelopment Plan* from Pier 24 to China Basin. Both plans were adopted.

We are now involved in the *Fisherman's Wharf Action Plan*. This planning process, involving the key Port tenants at Fisherman's Wharf, will be completed by July of 1981 and implementation will start soon thereafter.

In accordance with the planning, actual development programs have begun. These include the design and construction of a major waterfront promenade between the Ferry Building and Pier 24—the first major construction of a waterfront esplanade that eventually will be continued along the entire Northern Waterfront.

Also, we have completed the detail design for Pier 3. This pier will act as temporary public access and will also be the mooring site for three historic vessels—the ferryboats *Santa Rosa* and *Fresno* and the riverboat *Delta King*. These boats will be converted for office and commercial recreational uses. All of these vessels have a history of service on San Francisco Bay. Design work on Pier 7 will begin this year to construct permanent public access in this area.

In the maritime field, the renovation of the San Francisco Passenger Terminal at Pier 35 has begun, and the development of a rail trestle along Islais Creek to Pier 94-96 was designed and adopted as part of the overall regional plan for San Francisco Bay.

With the culmination of the planning phase and the beginning of implementation, San Francisco's waterfront north of China Basin is going to undergo some major facelifts. We will see many new developments for maritime activities, ship repair, housing, offices, commercial fishing, and public access.

Anthony J. Taormina
Deputy Port Director,
Planning and Research

STATEMENT OF OPERATIONS
Years Ended June 30, 1980 and 1979

	1980	1979
Operating revenues:		
Property rentals	$10,061,240	$ 9,561,337
Wharfage, dockage and demurrage	6,852,769	6,048,508
Commercial power	1,454,841	1,494,952
Interest income	1,260,258	1,131,269
Other	1,367,696	1,107,363
	20,996,804	19,343,429
Operating expenses:		
Interest expense	3,830,859	3,994,363
Maintenance	4,737,580	4,726,557
Depreciation and amortization	3,052,508	2,967,167
Operations	3,234,802	3,072,250
Commercial power	1,140,924	1,155,486
Fire boat operations	567,595	694,516
Insurance	714,785	764,326
	17,279,053	17,374,665
Operating income	**3,717,751**	**1,968,764**
Non-operating income		
Fire insurance proceeds	—	217,610
Net income	**$ 3,717,751**	**$ 2,186,374**

CARGO TONNAGE

	1980 revenue metric tons	1979 revenue metric tons
Container cargo	939,000	742,000
Breakbulk	693,000	762,000
General cargo	1,632,000	1,504,000
Dry bulk	416,000	120,000
Liquid bulk	938,000	681,000
Total cargo	**2,986,000**	**2,305,000**

This special issue replaces the usual winter Wharfside.

If you wish your name to be added to our mailing list, please contact:

Wharfside

The Port of San Francisco, Ferry Building, Room 2028, San Francisco, CA 94111

published by

The Port of San Francisco
Public Relations Department, Ferry Building,
San Francisco, CA 94111
(415) 391-8000

Edward L. David, Port Director

Port Commissioners
James J. Rudden, President
Harry Bridges
Jack Morrison
Eugene L. Gartland
Dr. Arthur H. Coleman

BALANCE SHEET
June 30, 1980 and 1979

Assets

	1980	1979
Current assets:		
Cash	$ 6,393,897	$ 3,264,201
Accounts receivable (less allowance for doubtful accounts of $790,270 and $641,020)	2,423,916	2,847,228
Materials and supplies	544,279	306,215
Prepaid insurance	278,344	313,575
Total current assets	9,640,436	6,731,219
Restricted assets		
Cash and investments:		
Capital outlay	4,506,453	5,337,084
Bonded interest and redemption	2,374,645	2,081,306
Accrued interest receivable	58,606	185,198
Receivable from the City and County of San Francisco—Revenue Sharing Program	81,601	91,112
	7,021,305	7,694,700
Facilities, property and equipment, net	155,486,592	157,229,895
Deposits	732,667	655,097
	$172,881,000	**$172,310,911**

BALANCE SHEET
June 30, 1980 and 1979

Liabilities and Equity

	1980	1979
Current liabilities:		
Accrued expenses	$ 3,916,716	$ 3,220,358
Payable to the City and County of San Francisco	223,008	809,290
Deferred income	100,643	125,660
Bond interest payable	400,097	420,667
Bond debt maturing within one year	3,514,000	3,489,000
Total current liabilities	8,154,464	8,064,975
Lease deposits and customer advances	688,103	669,354
Bonded debt, less current maturities	69,702,000	73,216,000
Commitments and contingent liabilities		
Equity:		
Accumulated earnings	26,304,393	22,586,642
Contributions in aid of construction	11,968,838	11,710,738
Revaluation of property	56,063,202	56,063,202
	94,336,433	90,360,582
	$172,881,000	**$172,310,911**

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PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1980 AND 1979

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

DOCUMENTS DEPT.
1981

Main Hurdman & Cranstoun

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1980 AND 1979

with

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Main Hurdman & Cranstoun

Main Hurdman & Cranstoun
certified public accountants

Suite 2500
Two Embarcadero Center
San Francisco, CA 94111
(415) 981-7720

The Honorable John C. Farrell, Controller
Port Commission
City and County of San Francisco
Port of San Francisco

We have examined the balance sheet of the Port Commission, City and County of San Francisco, Port of San Francisco, as of June 30, 1980 and 1979, and the related statements of operations, equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The land asset of the Port of San Francisco was increased in prior years by approximately $56,000,000 to reflect appraised values of 1929. Under generally accepted accounting principles the excess of appraised value over stated cost should not be capitalized.

In our opinion, except for the effects of capitalizing the excess of appraised value over stated cost of land, as discussed in the preceding paragraph, such financial statements, present fairly the financial position of the Port Commission, City and County of San Francisco, Port of San Francisco at June 30, 1980 and 1979, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for sick leave as described in Note 2 to the financial statements.

Main Hurdman & Cranstoun

November 21, 1980

PORT CON

CITY AND COUNTY

PORT OF SAN

BALANCE

June 30, 19

ASS AND EQUITY

	1980	1979
Current assets:		
Cash	$ 3,916,716	$ 3,220,358
Accounts receivable (less allo		
for doubtful accounts of	223,008	809,290
$790,270 and $641,020)	100,643	125,660
Materials and supplies (Note 1	400,097	420,667
Prepaid insurance		
	3,514,000	3,489,000
Total current assets		
es	8,154,464	8,064,975
Restricted assets (Notes 1 and 3		
Cash and investments: s	688,103	669,354
Capital outlay (Note 3)		
Bonded interest and redempti s		
Accrued interest receivable	69,702,000	73,216,000
Receivable from the City and C		
of San Francisco - Revenue ies		
Sharing Program		
	26,304,393	22,586,642
Facilities, property and equipme ion	11,968,838	11,710,738
(Notes 1 and 4), net	56,063,202	56,063,202
Deposits	94,336,433	90,360,582
	$172,881,000	$172,310,911

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PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

BALANCE SHEET

June 30, 1980 and 1979

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Cash and investments:		
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Accrued interest receivable	58,606	185,198
Receivable from the City and County of San Francisco - Revenue Sharing Program	81,601	91,112
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Facilities, property and equipment (Notes 1 and 4), net	155,486,592	157,229,895
Deposits	732,667	655,097
	$172,881,000	$172,310,911

LIABILITIES AND EQUITY

	1980	1979
Current liabilities:		
Accrued expenses	$ 3,916,716	$ 3,220,358
Payable to the City and County of San Francisco	223,008	809,290
Deferred income (Note 1)	100,643	125,660
Bond interest payable	400,097	420,667
Bonded debt maturing within one year (Note 5)	3,514,000	3,489,000
Total current liabilities	8,154,464	8,064,975
Lease deposits and customer advances	688,103	669,354
Bonded debt, less current maturities (Note 5)	69,702,000	73,216,000
Commitments and contingent liabilities (Notes 3, 7 and 9)		
Equity:		
Accumulated earnings	26,304,393	22,586,642
Contributions in aid of construction	11,968,838	11,710,738
Revaluation of property (Note 1)	56,063,202	56,063,202
	94,336,433	90,360,582
	$172,881,000	$172,310,911

The accompanying notes are an integral part of these financial statements.

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF OPERATIONS

Years Ended June 30, 1980 and 1979

	1980	1979
Operating revenues:		
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Wharfage, dockage and demurrage	6,852,769	6,048,508
Commercial power	1,454,841	1,494,952
Interest income	1,260,258	1,131,269
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Non-operating income		
Fire insurance proceeds (Note 3)	-	217,610
Net income	$ 3,717,751	$ 2,186,374

The accompanying notes are an integral part of these financial statements.

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF EQUITY

Years Ended June 30, 1980 and 1979

	Total Equity	Accumulated Earnings	Contributions in aid of Construction	Revaluation of Property
Balance at June 30, 1978 as previously reported	$87,384,111	$21,076,268	$10,244,641	$56,063,202
Retroactive adjustment resulting from change in accounting for sick leave	676,000	676,000		
Balance at June 30, 1978 as restated	86,708,111	20,400,268	10,244,641	56,063,202
Net income	2,186,374	2,186,374		
Federal aid	1,418,706		1,418,706	
Additions to contributions in aid of construction	47,391		47,391	
Balance, June 30, 1979	$90,360,582	$22,586,642	$11,710,738	$56,063,202
Net income	3,717,751	3,717,751		
Federal aid	91,390		91,390	
Additions to contributions in aid of construction	166,710		166,710	
Balance, June 30, 1980	$94,336,433	$26,304,393	$11,968,838	$56,063,202

The accompanying notes are an integral part of these financial statements.

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

STATEMENT OF CHANGES IN FINANCIAL POSITION

Years Ended June 30, 1980 and 1979

	1980	1979
Working capital provided from		
Net income	$3,717,751	$2,186,374
Add charges not affecting working capital		
Depreciaton and amortization	3,052,508	2,967,167
Working capital provided from operations	6,770,259	5,153,541
Decrease in restricted assets	673,395	2,639,632
Additions to contributions in aid of construction	166,710	47,391
Federal aid	91,390	1,418,706
Other, net	30,449	-
Total working capital provided	7,732,203	9,259,270
Working capital used for:		
Retirement of long-term debt	3,514,000	3,489,000
Additions to facilities, property and equipment	1,398,475	3,836,954
Other, net	-	203,743
Total working capital used	4,912,475	7,529,697
Increase in working capital	$2,819,728	$1,729,573
Changes in working capital:		
Increase (decrease) in current assets:		
Cash	$3,129,696	$3,004,185
Accounts receivable	(423,312)	(344,811)
Materials and supplies	238,064	95,401
Prepaid insurance	(35,231)	(5,409)
	2,909,217	2,749,366
(Increase) decrease in current liabilities:		
Accrued expenses	(696,358)	(1,121,371)
Payable to the City and County of San Francisco	586,282	61,534
Deferred income	25,017	(20,894)
Bond interest payable	20,570	20,938
Current portion of long-term debt	(25,000)	40,000
	(89,489)	(1,019,793)
Increase in working capital	$2,819,728	$1,729,573

The accompanying notes are an integral part of these financial statements.

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

Organization and method of accounting

Prior to February 7, 1969, the Port of San Francisco ("Port") was owned by the State of California. On February 7, 1969, the Port was transferred to the City and County of San Francisco ("City") under the terms and conditions specified in the State of California statutes of 1968, Chapter 1333, as amended, and as ratified by the general election of the City and County of San Francisco on November 5, 1968.

The Port is an enterprise fund of the City. All the accounts of the Port are maintained on the accrual basis.

Revenue recognition

Lease revenue from the rental of building spaces, ground areas and facilities is accounted for under the "operating method". Under this method, lease revenue is earned as it becomes due over the term of the lease, and the related expenses including depreciation and maintenance are included in operating expense as incurred.

Materials and supplies

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost (principally average cost).

Facilities, property and equipment

Facilities, property and equipment are stated at cost except that the land asset was increased in prior years by approximately $56,000,000 to reflect appraised values of 1929. Depreciation is provided on the straight-line method based upon the estimated useful lives of the related depreciable assets.

Maintenance, repairs and minor replacements are expensed as incurred. Expenditures for major replacements and improvements resulting in increased value or extension of useful lives are capitalized, unless such costs are

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant
Accounting Policies (Continued)

reimbursed by tenants. The cost of the improvements and related tenant reimbursement are deferred until project completion, at which time the costs and related revenue are recognized in the statement of operations.

The cost and related accumulated depreciation of assets retired or otherwise disposed of are eliminated from the accounts in the year of retirement or disposal with the resulting gain or loss, if any, included in current operations.

Depreciation applicable to facilities and equipment acquired through donations is charged against current operations. Upon completion of construction on those facilities financed by grant funds, the related depreciation will be charged directly against contributions in aid of construction.

The cost of acquisition and construction of major facilities and equipment is recorded in construction in progress. As facilities are completed and become operative they are transferred to the facilities and equipment accounts.

Interest expense

Interest expense incurred during the construction period on major construction projects funded by revenue bond proceeds has been capitalized and is being amortized over forty years. All other interest costs are charged against current operations. No interest was capitalized during 1980 or 1979.

Restricted assets

Investments included in restricted assets are stated at the lower of cost or market, less amortization of bond premiums or discounts.

Investment of funds deposited for capital outlay are made by the City on behalf of the Port. Investment of funds deposited for bond interest and redemption is made by the fiscal agent for the Port.

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Accounting Change

The National Council on Governmental Accounting has published Governmental Accounting and Financial Reporting Principles Statement Number 1 (NCGA 1). NCGA 1 is effective for fiscal years ending after June 30, 1980 with earlier application encouraged. During 1980, the Port elected to apply the statement and, in accordance with NCGA 1, has restated its financial statements to record sick leave when earned rather than when paid. The affect of the change was to reduce net income by $150,600 in 1980 and $44,400 in 1979.

3 - Fire Insurance Proceeds

On August 7, 1978, Pier 40 was destroyed by fire. The Port has received insurance proceeds amounting to $217,610 in partial settlement of the loss. An additional $194,307 may be received if the Port reconstructs the bulkhead building at a cost of not less than $388,614.

Under the terms of the revenue bond convenants, the insurance proceeds may be used for reconstruction of the property or for construction of other related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231.

At June 30, 1980, the Port had taken no action with respect to the use of the insurance proceeds. Included in restricted capital outlay funds are insurance proceeds of $217,610 at June 30, 1980 and $372,167 at June 30, 1979.

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Facilities, Property and Equipment

At June 30, 1980 and 1979, facilities, property and equipment, less accumulated depreciation and amortization, consisted of the following:

	1980	1979	Estimated useful life (years)
Land	$100,729,526	$100,729,526	
Buildings, structures and improvements	111,933,519	110,439,053	15-50
Equipment	2,849,374	2,751,077	5-40
	215,512,419	213,919,656	
Less depreciation and amortization	62,261,553	59,725,450	
	153,250,866	154,194,206	
Construction work in progress	2,235,726	3,035,689	
	$155,486,592	$157,229,895	

The revenue bonds are secured by a lien on the net revenues of the Port, as defined, and are subordinated to the lien of the holders of outstanding general obligation bonds of the State of California and are on a parity with any future revenue bonds issued. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds issued.

The revenue bonds of the Port provide, among other convenants, that net revenues, as defined, be sufficient to equal 1.3 times the debt service requirements of revenue bonds for the ensuing twelve months. At June 30, 1980 and 1979, the Port complied with this provision.

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NOTES TO FINAN
(Cont

5 - Bonded Debt

Bonded debt consisted o

	e at June 30,		
		1979	
	rm	Current	Long-term
General obligation bond			
State of California:			
India Basin 1909	00	$ 14,000	$ 59,000
Second Seawall 1909	00	115,000	557,000
Third Seawall 1913	00	135,000	1,185,000
Fourth Seawall 1929	00	165,000	245,000
Fifth Seawall 1958,	00	2,010,000	24,645,000
City and County of Sa			
Harbor Improvement			
Series A	00	800,000	18,400,000
Series B	00	-	10,000,000
Total genera	00	3,239,000	55,091,000
Revenue bonds:			
Series A 1969	00	100,000	10,100,000
Series B 1971	00	150,000	8,025,000
Total revenue	00	250,000	18,125,000
	00	$3,489,000	$73,216,000

The bonds mature as fol

Year ended June 30,	State of California
1981	$ 2,439,00
1982	2,314,00
1983	2,314,00
1984	1,899,00
1985	1,870,00
1986-1991	8,685,00
Remainder	7,170,00
	$26,691,00

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Bonded Debt

Bonded debt consisted of the following:

	Interest Rates	Year Last Series Matures	Original Amount	Balance at June 30, 1980 Current	Balance at June 30, 1980 Long-term	Balance at June 30, 1979 Current	Balance at June 30, 1979 Long-term
General obligation bonds:							
State of California:							
India Basin 1909	4%	1985	$ 853,000	$ 14,000	$ 45,000	$ 14,000	$ 59,000
Second Seawall 1909	4%	1985	9,000,000	115,000	442,000	115,000	557,000
Third Seawall 1913	4%	1989	9,450,000	135,000	1,050,000	135,000	1,185,000
Fourth Seawall 1929, Series A to G	1.5 - 3.25%	1983	10,000,000	165,000	80,000	165,000	245,000
Fifth Seawall 1958, A, B, F and H	1.0 - 5.5%	1998	50,000,000	2,010,000	22,635,000	2,010,000	24,645,000
City and County of San Francisco - Harbor Improvement 1971:							
Series A	4.5 - 6.0%	2003	20,000,000	800,000	17,600,000	800,000	18,400,000
Series B	5.4 - 6.75%	2005	10,000,000	-	10,000,000	-	10,000,000
Total general obligation bonds			109,303,000	3,239,000	51,852,000	3,239,000	55,091,000
Revenue bonds:							
Series A 1969	1.0 - 8.5%	1999	11,000,000	100,000	10,000,000	100,000	10,100,000
Series B 1971	5.25 - 6.75%	2001	9,000,000	175,000	7,850,000	150,000	8,025,000
Total revenue bonds			20,000,000	275,000	17,850,000	250,000	18,125,000
			$129,303,000	$3,514,000	$69,702,000	$3,489,000	$73,216,000

The bonds mature as follows:

Year ended June 30,	State of California	City and County of San Francisco	Revenue Bonds	Total
1981	$ 2,439,000	$ 1,200,000	$ 275,000	$ 3,914,000
1982	2,314,000	1,200,000	375,000	3,889,000
1983	2,314,000	1,200,000	400,000	3,914,000
1984	1,899,000	1,200,000	400,000	3,499,000
1985	1,870,000	1,200,000	425,000	3,495,000
1986-1991	8,685,000	6,000,000	3,325,000	18,010,000
Remainder	7,170,000	16,400,000	12,925,000	36,495,000
	$26,691,000	$28,400,000	$18,125,000	$73,216,000

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Leased Property

Certain of the Port's property rental agreements call for rental payments to be made based on a percentage of tenant sales. The percentage rental is in addition to a minimum amount. Property rental income for the years ended June 30, 1980 and 1979 was comprised as follows:

	1980	1979
Minimum rentals	$ 7,127,240	$6,871,837
Contingent percentage rentals	2,934,000	2,689,500
	$10,061,240	$9,561,337

Minimum future rents under noncancelable operating leases having terms in excess of one year are as follows:

Year ended June 30	
1981	$ 3,166,000
1982	3,129,000
1983	2,883,000
1984	2,685,000
1985	2,177,000
Later Years	74,638,000
Total	$88,678,000

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - Pension Plans

The Port participates in the State of California Public Employees' Retirement System (PERS), the City and County of San Francisco Employees' Retirement System (ERS), and the Railroad Retirement Act. These plans are contributory plans providing retirement, disability and death benefits for substantially all salaried employees. Pension plan costs, including amortization of prior service costs over periods ranging from 10 to 20 years, are charged to expense and funded annually. The excess, if any, of actuarially computed vested benefits over the various pension fund assets is not available.

In May 1976, PERS asserted that, as a result of the depooling of Port employees, the Port was required to fund approximately $2,300,000 of prior service costs and additional normal costs over some future period. The total amount to be funded was based upon an actuarial study conducted in 1975. This additional unfunded liability has subsequently been reviewed by an independent actuary, engaged by the Port, and determined to be appropriate based on current information and the actuarial assumptions used by PERS. The Port has elected to fund this liability over a 20 year period. Additionally, the Port's contribution rate increased from 9.37% to 10.37% of covered employees compensation, effective July 1, 1977 and to 14.29% effective July 1, 1978.

The latest actuarial valuation of the ERS plan was made as of June 30, 1978. For the year then ended the independent accountant's report on examination of the plan's financial statements was qualified with respect to the ultimate recovery of the carrying value of bond investments of the plan.

The total pension expense for 1980 and 1979 was $839,557 and $751,923, respectively.

8 - Transactions with Major Tenant

During the year ended June 30, 1979, the Port's reported operating revenues included approximately $750,000 from a maritime tenant which was adjudicated a bankrupt in December 1978. At June 30, 1979, outstanding accounts receivable from this tenant approximated $260,000 which have been fully reserved by a charge to operating expenses.

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PORT OF SAN FRANCISCO

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - Commitments and Contingent Liabilities

The Port is presently planning various development projects which may commit the Port to expend significant capital funds. In addition to the use of existing capital outlay funds, the Port may seek additional financing or refinancing to meet these commitments.

Under a Management Advisory Contract signed in December 1973, the Port transferred the belt railroad operations to Port Railroad, Inc. The terms of this agreement require Port Railroad, Inc. to operate the railroad for a period of twenty years. The contract is cancelable by Port Railroad, Inc. after December 1978, upon nine months prior written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are adequately covered by insurance. A substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of that litigation. However, in the opinion of counsel, the likelihood of an unfavorable outcome is probable in some of the suits and pursuant to Statement No. 5 of the Financial Accounting Standards Board, a charge to operating expense has been provided for the amount of the deductible under the applicable insurance policy.

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Port of San Francisco

1981 Annual Report

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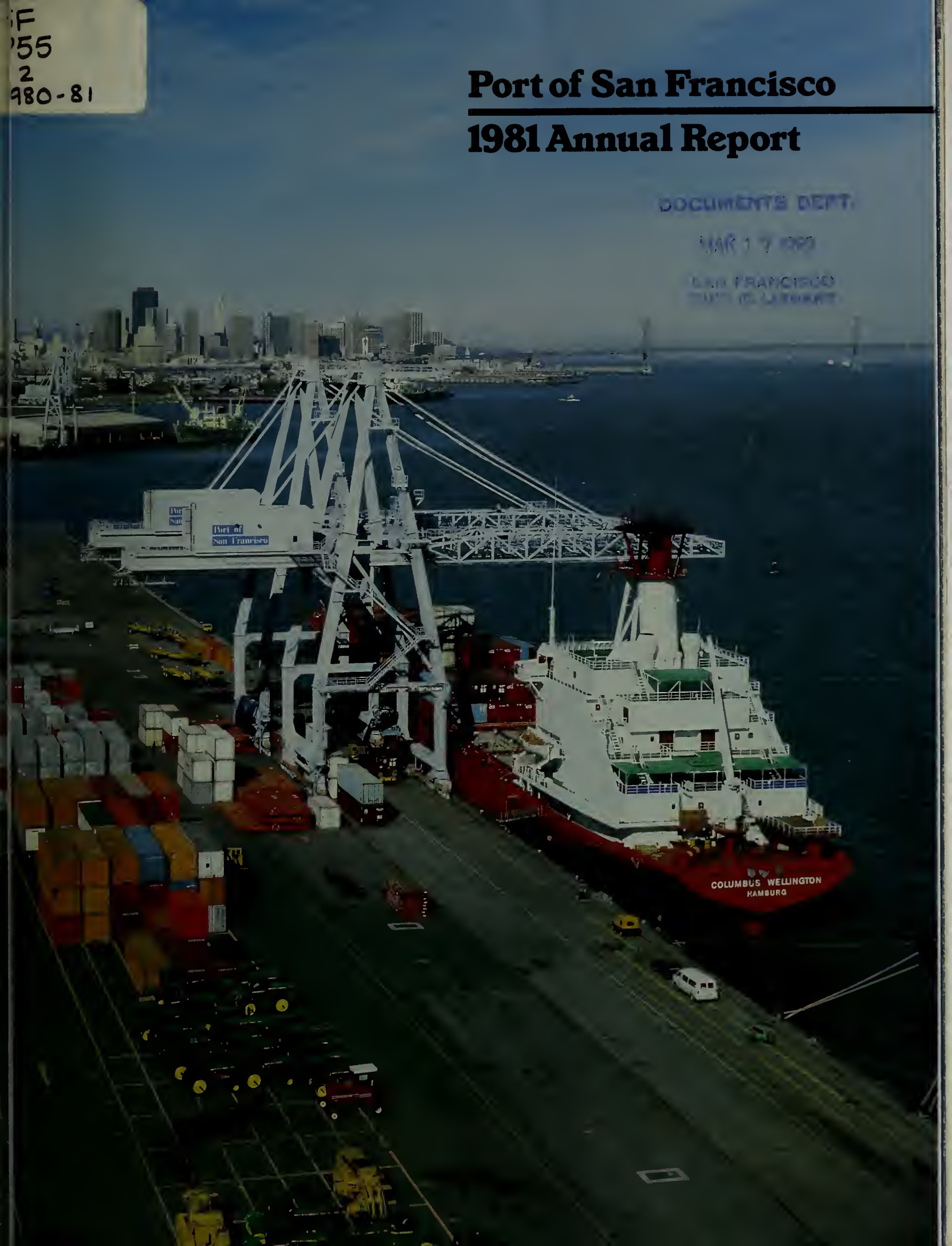


Mayor Dianne Feinstein with Executive Director Edward L. David and Captain Xu Yao-qing of the M.V. Zhang Jia Kou at inauguration ceremony for new China Ocean Shipping Company service.

Our Port is on the rise and the Port Commission and staff are to be commended.

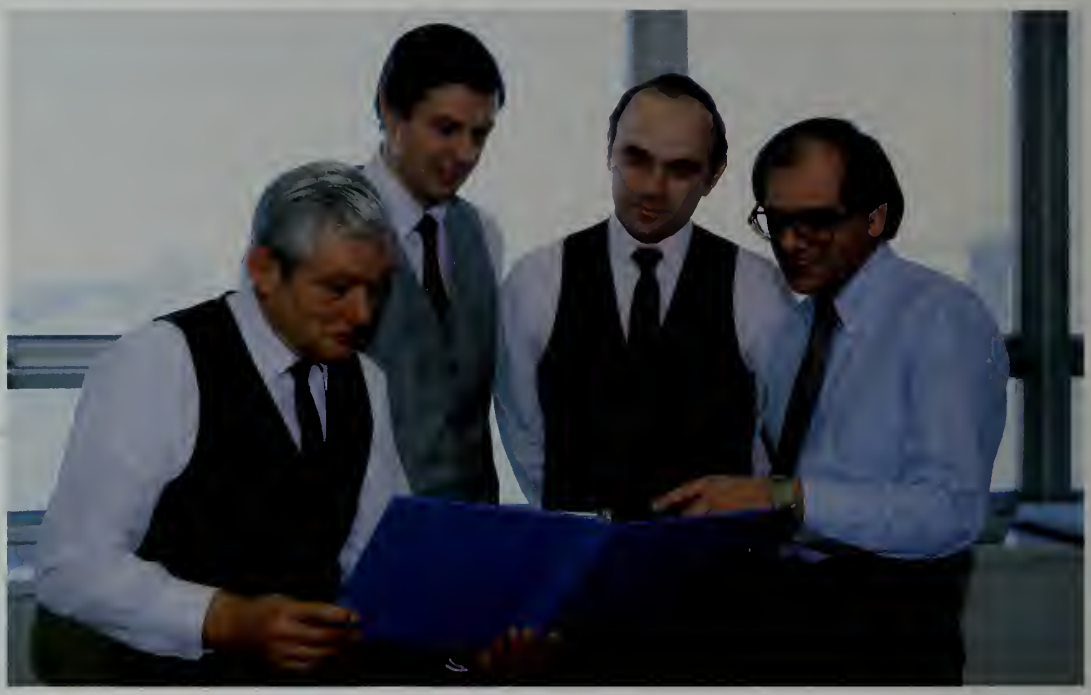
When I assumed the office of Mayor in December 1978, the Port of San Francisco had an operating surplus of $200,000. The Port now has an operating surplus of nearly $5 million.

The goals set for 1980-81 not only were met, but they were surpassed. Maritime revenues exceeded $10 million, $500,000 overprojection. Revenues from commercial properties reach $10.75 million or nearly $1 million above target. Interest income totaled over $2.5 million, more than tripling the goal.

Looking forward, I applaud the Commission's recent approval of a Master Maritime Plan and Five-Year Capital Improvement Plan. These will give clear direction to the future development of the Port.

We are proud of our Port. Now is the time to step-up our efforts to tell the worldwide shipping industry of our capabilities, to convince them of our competitive position and to capture our market potential.

Dianne Feinstein
Mayor



Executive Director Edward L. David; Thomas K. Yerkes, director, Finance and Administration; Ronald L. Stone, director, Maritime Affairs; Anthony J. Taormina, director, Planning and Research.

The financial position of the Port of San Francisco continues to improve.

Figures for the fiscal year that ended June 30, 1981 show a net income of $4.9 million, a 32% increase over fiscal 1980. Total revenues for this period were $24.3 million, a 16% increase. Tonnage was up 4%, making this the third straight year that the Port has shown a substantial gain in revenues, earnings and tonnage.

As a result of this performance, we are now in the position to move forward on a major expansion of our maritime facilities along the Southern Waterfront.

This is a significant change from where we stood just a few years ago. At that time we were on the brink of taxpayer subsidy. Today, we are on the brink of the biggest maritime expansion for the Port of San Francisco in 15 years.

The future of our maritime port lies on the Southern Waterfront where there is room for container terminal development and expansion. But the economic future of the Port lies also on our Northern Waterfront, which contains some of the most valuable land in California for commercial development.

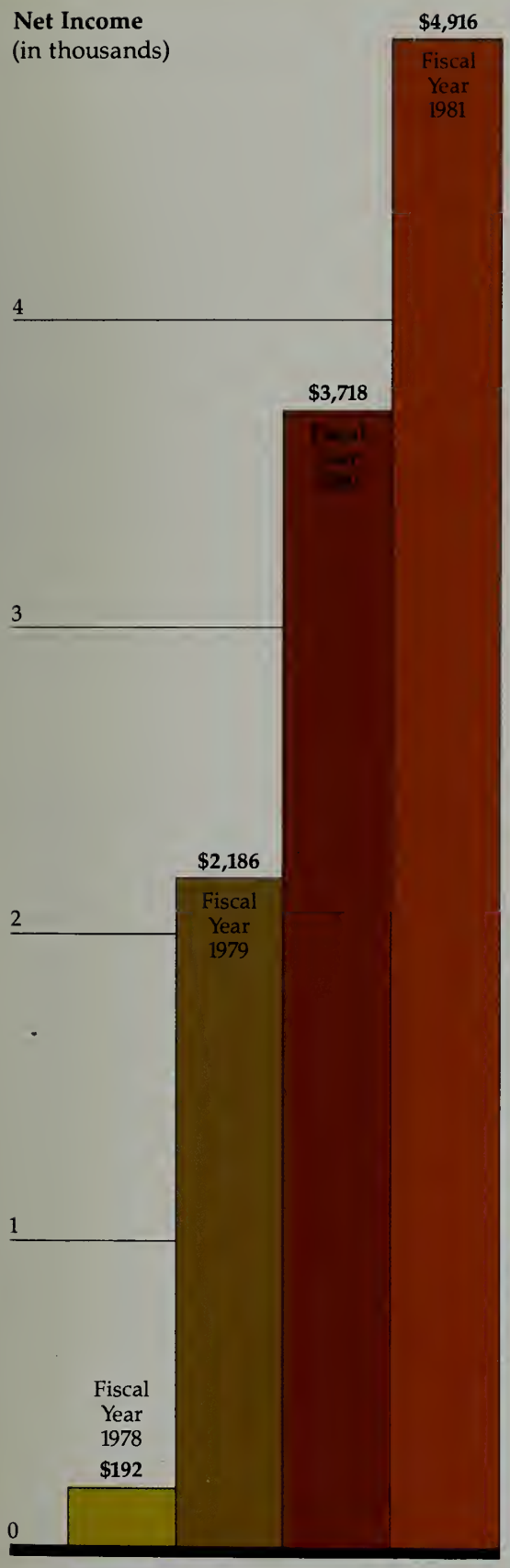
It was the Port's decision to capitalize on the commercial potential of Northern Waterfront property and to use this economic advantage to support maritime growth of the Southern Waterfront. Rapidly increasing revenue from our commercial developments is being used to expand and maintain our maritime facilities.

This year we have embarked on the implementation of a $94 million five-year Capital Improvement Plan which includes the expansion of the San Francisco Container Terminal, improvements to the Army Street Terminal, improvements to the Passenger Terminal and preservation of our fishing industry at Fisherman's Wharf.

As a blueprint for near and long-range maritime capital improvements, a conceptual master maritime plan has been prepared showing how, where and when additional container berths and terminals could be developed to maintain San Francisco's share of the market amid the phenomenal cargo projections for the Bay Area.

Edward L. David

Edward L. David
Executive Director


Net Income
(in thousands)
$4,916
Fiscal Year 1981
$3,718
$2,186
Fiscal Year 1979
Fiscal Year 1978
$192
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2
1
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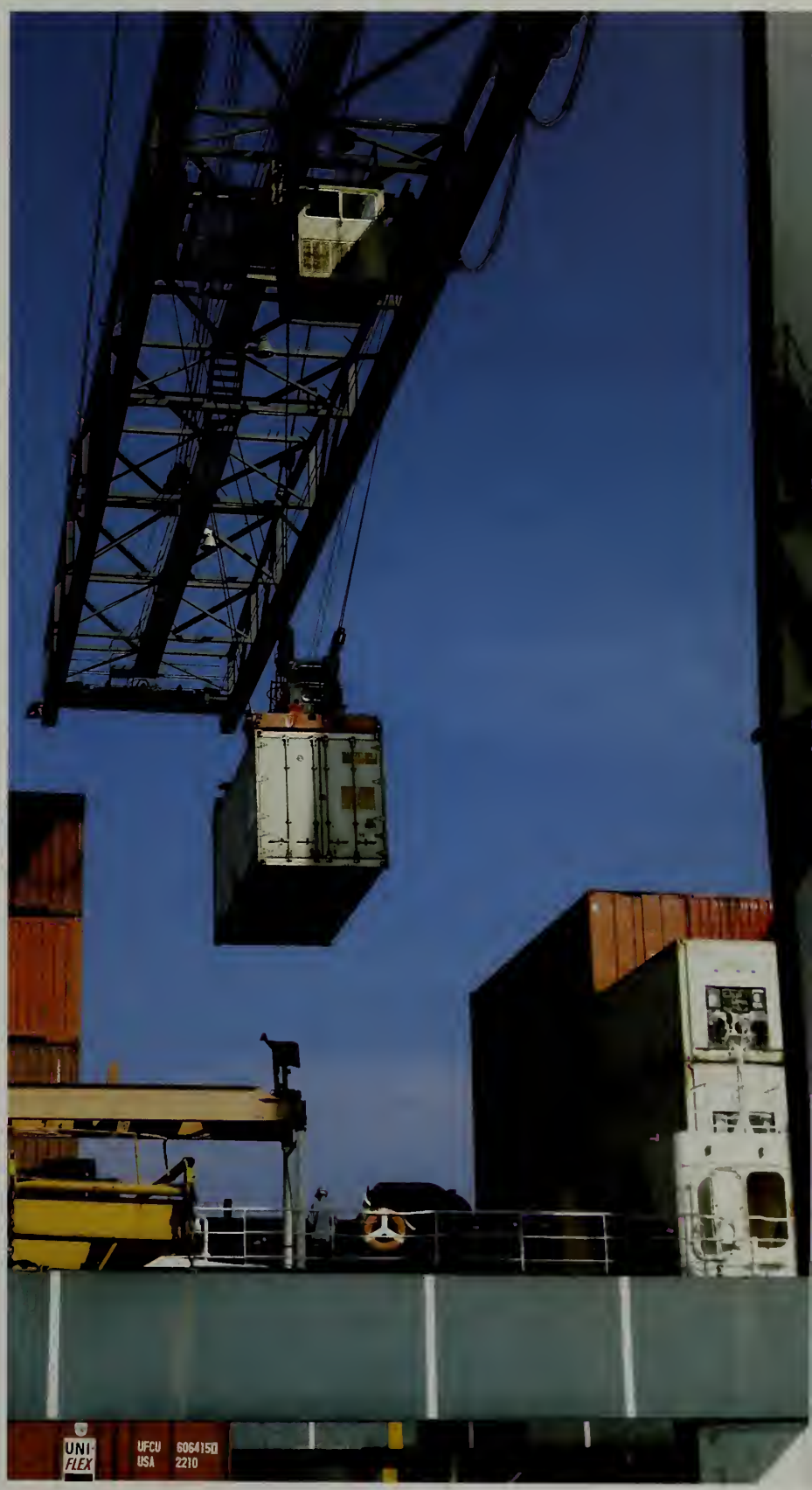
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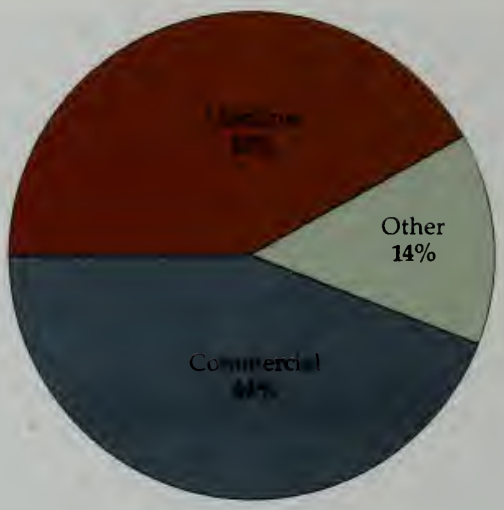
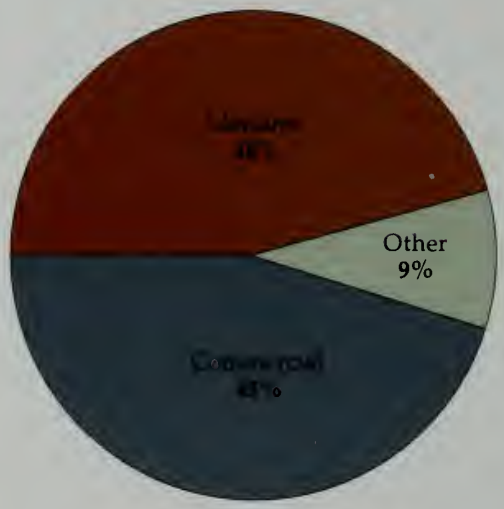
Maritime Operations

Fiscal Year 1981
Revenue



Fiscal Year 1980
Revenue



This year maritime operations accounted for $10.3 million or 42% of the Port's revenue.

During 1980-81, the Port added two new shipping lines, making a total of 27 now calling here.

China Ocean Shipping Company of the People's Republic of China selected San Francisco as the Bay Area port for their regular container service, inaugurated in early March.

Scan Pacific Line, a Finnish-flag operator, moved to the Port of San Francisco last fall.

Total cargo tonnage through the Port of San Francisco for fiscal year 1981 was 2,694,000 metric tons, a 4% increase over 1980. General cargo was 1,721,000 metric tons, up 5%.

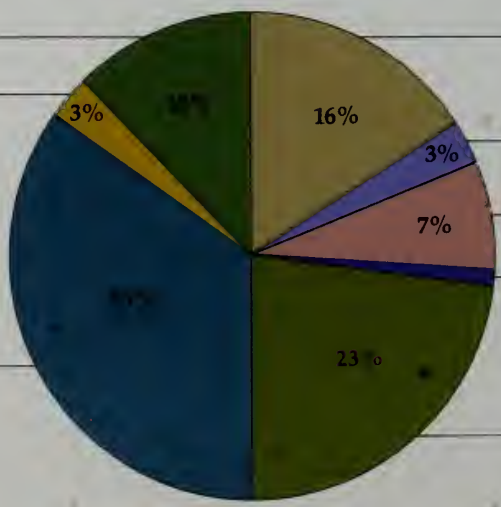
Containerized cargo, accounting for over one-half of the general cargo, was handled almost exclusively by the Port's container facilities at Piers 94-96 and Pier 80. The Port of San Francisco continues to handle most of the breakbulk cargo in the Bay Area.

Grain exports amounted to 335,000 metric tons during fiscal 1980-81, and were principally wheat and corn.

The Port's two liquid bulk terminals, together with the petroleum pipeline, handled 638,000 metric tons of liquid bulk during the fiscal year.

Transpacific countries continued to be the major trading partners for the Port of San Francisco, accounting for 35% of all

Fiscal Year 1981
Total World Trade



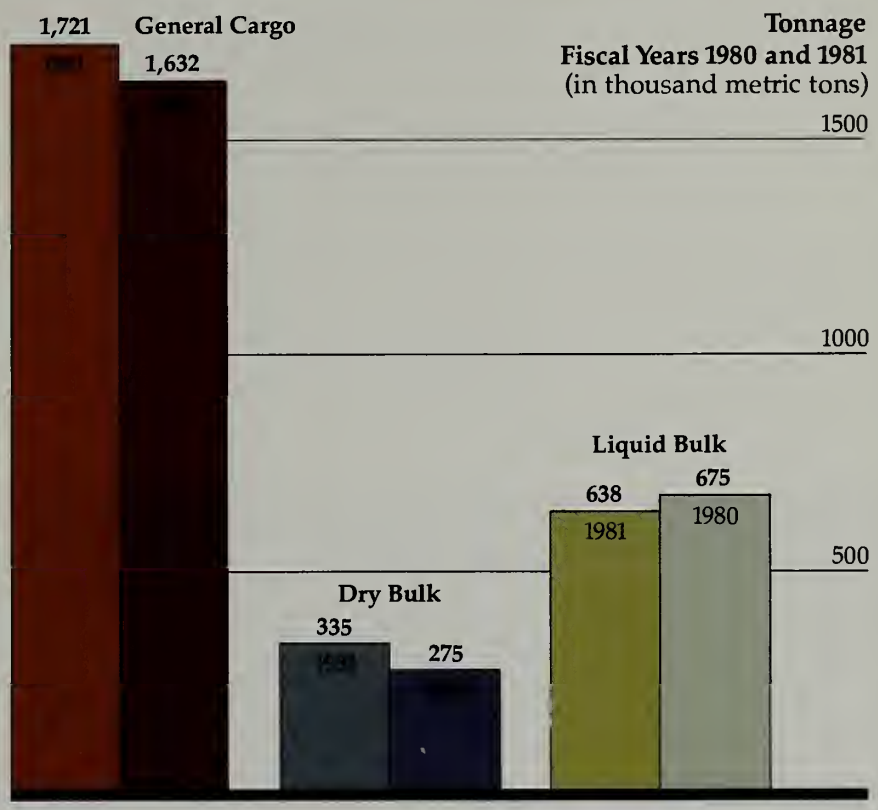
imports/exports in fiscal year 1981. Tonnage in this trade area increased by 28%, due in part to expanded trade with China.

The South/Central American trade route rose by 31% with Peru, Chile and Venezuela as the leading players in that growth.

The Australia/New Zealand market exhibited a 19% increase.

Leading imports and exports through the Port during fiscal year 1981 are (alphabetically):

	IMPORTS	EXPORTS
General	Automobiles Coffee Hardware (nails, nuts, screws) Metal plates (iron and steel) Newsprint	Cotton (raw) Machinery (lifting equipment and conveyors) Metal scrap (iron and steel) Organic compounds Rice Tractors
Bulk	Inedible oils Petroleum	Corn Wheat



Commercial Operations

For fiscal year 1980-81 revenues from commercial operations were $10.8 million or 44% of the Port's revenue. Also during this period, several new commercial developments were initiated or were moved forward significantly.

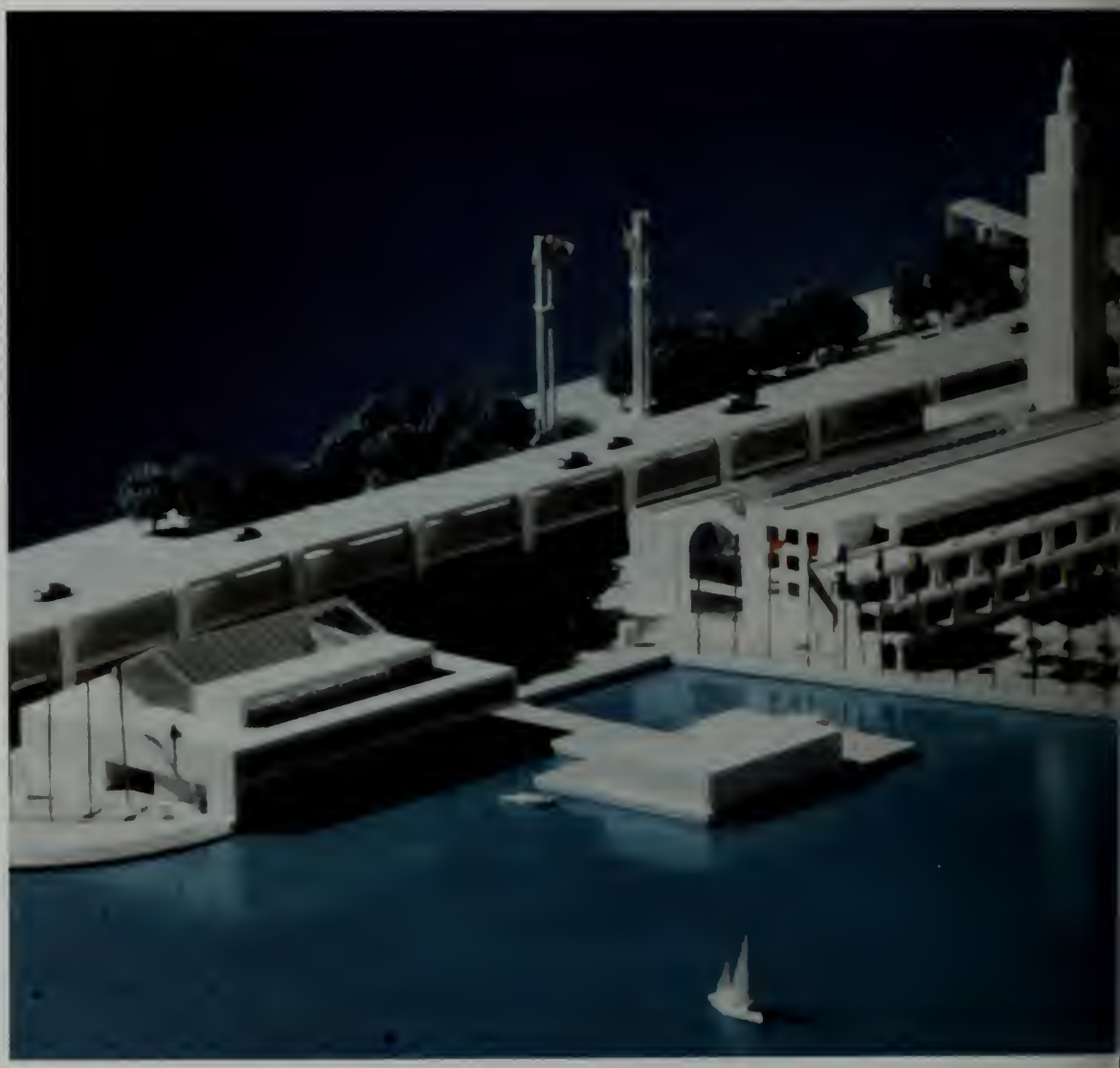
Last year the Port entered into an agreement with Continental Development Corporation for the restoration and adaptive re-use of the Ferry Building Complex, which includes the historic Ferry Building, the Agriculture Building, Pier One and Ferry Plaza East.

The two-year planning process for this development is moving along as scheduled with the Port Commission having approved the design phase prepared by the prestigious New York architectural firm, I.M. Pei & Partners.

The renewed urban complex will cover 46 acres of land and water area, with 540,000 square feet of interior space for commercial, cultural, recreational and world trade activities.

Construction is scheduled to begin January 1983.

During fiscal 1980-81 the Port entered into a 52-year lease with Interbank Corpo-



Design model for Ferry Building Complex as proposed by Continental Development Corporation.

ration for the commercial development of a 46,000 square foot vacant lot near the Levi Strauss development.

A lease for a 29,167 square foot lot including a historic railroad roundhouse was put out for bid to developers in November 1981.

Construction of a 250-room hotel and from 350 to 550 condominium housing units has been proposed for Pier 45 as part of a plan for the renewal and revitalization of Fisherman's Wharf. This plan will be implemented beginning in 1982.

Public Waterfront Promenade

Now nearing completion is the Waterfront Promenade, a project being constructed solely for the benefit of the public, where San Franciscans can view and enjoy the Bay. This $5 million project is located on a 1,600-foot long stretch of waterfront property in the downtown area between the Bay Bridge and the Ferry Building Complex.

The Promenade will be open for public enjoyment by spring 1982.

The Port plans to spend over $94 million during the next five years (1981-82 through 1986-87) on five major projects: San Francisco Container Terminal, Army Street Terminal, Pier 35 Passenger Terminal, Pier 3 Bulkhead and Interim Open Space, and the Fisherman's Wharf Action Plan.

At the **San Francisco Container Terminal**, an expansion program will get underway with the construction of two berths and back-up facilities, and the addition of four cranes. Estimated at $54 million, this expansion phase will double the container handling capacity of this terminal. An Intermodal Container Transfer Facility will also be built on the terminal and will connect to the railroad mainline via the rail spur already under construction. The Port will be able to offer shipside rail access without crossing city streets, a West Coast first.

The **Pier 80 Army Street Terminal** will undergo almost $10 million in improvements during these five years, with the addition of a new crane as one of the first priorities.

Beginning in March 1982, cruise passengers arriving and departing San Francisco will find the Port's passenger facilities far more comfortable, convenient and attractive. The **Pier 35 Passenger Terminal** is undergoing $1.6 million in improvements to the passenger waiting room and the VIP rooms on the second floor, and to the customs and immigration areas on the first floor. Begun in July 1981, the project is scheduled to be completed by spring 1982.

In fiscal year 1980-81, 42,842 passengers passed through Pier 35, embarking or disembarking on the 50 cruise ships that called San Francisco. This is a 12% passenger increase over the previous year.

Redevelopment of the rest of Pier 35 is under study. Preliminary concepts suggest development into office space, restaurants, meeting rooms and other public amenities, with emphasis on cruise related activities.

Pier 3 north of the Ferry Building is being developed to be the home of several historic ferryboats, including the *Santa Rosa*, the *Fresno* and the *Klamath*. The open portion of the pier will be public access. Office spaces in the transit shed and bulkhead will be upgraded to provide approximately 25,000 square feet of rentable area. Construction is scheduled to begin in the

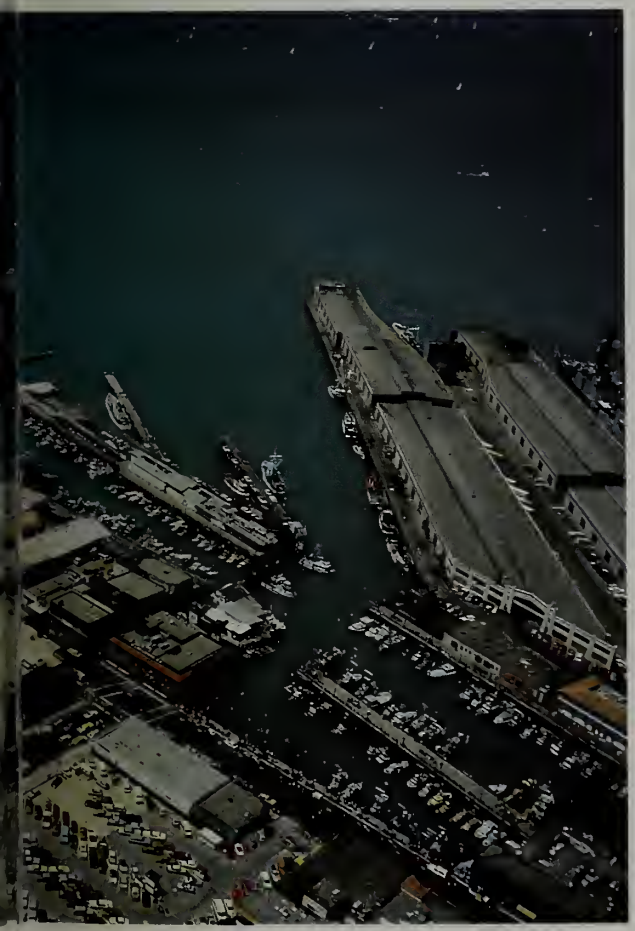
spring of 1982 at a cost of over $2.5 million.

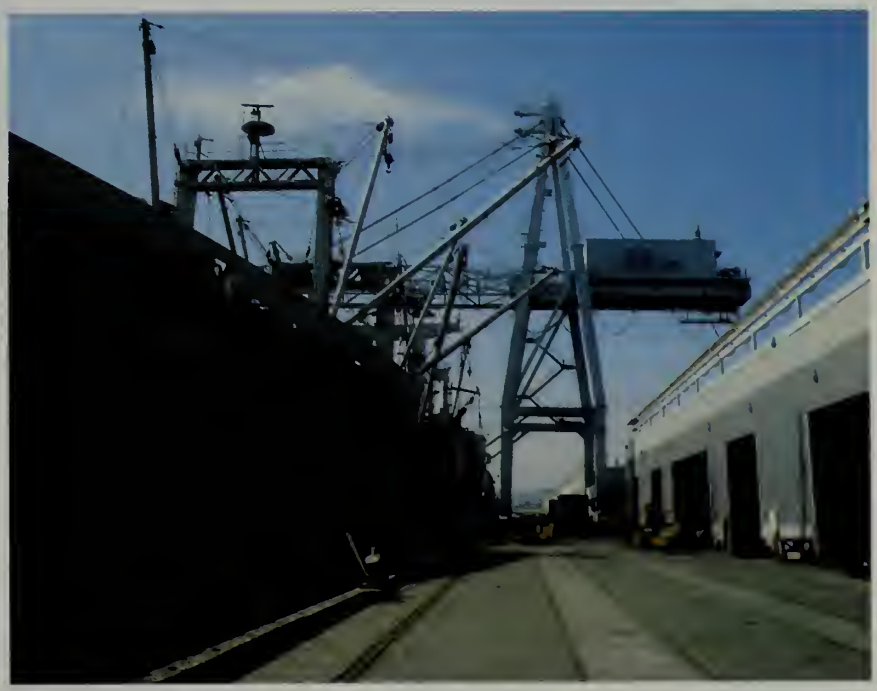
Implementation of the **Fisherman's Wharf Action Plan** will move forward with the extention of Hyde Street Pier. While serving as a breakwater and creating an enlarged and protected basin next to the inner lagoons, the extended pier will also provide additional space for fish processing and other fish related services.

Construction of the pavillion housing public restroom facilities in the central Wharf area is already underway.

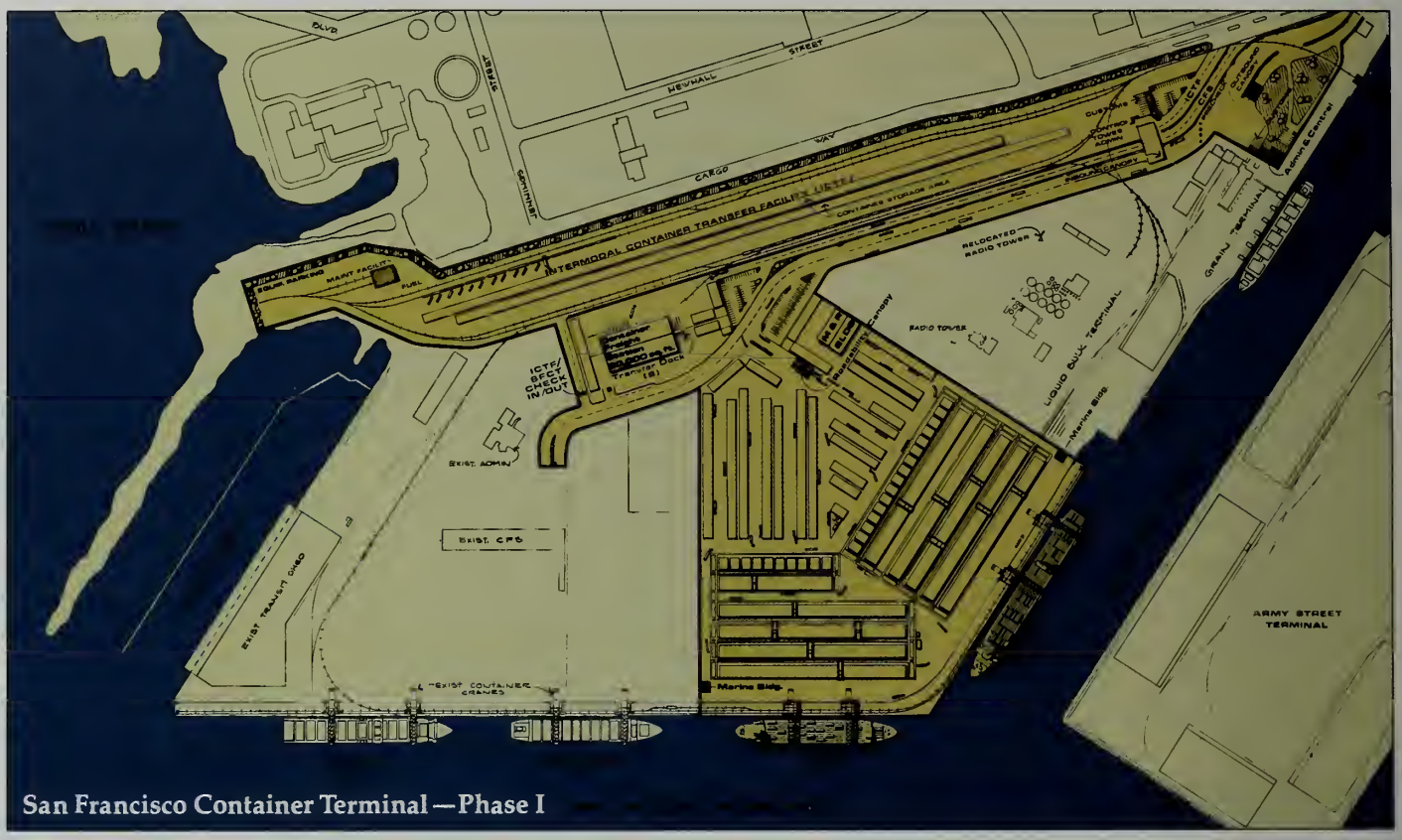
The Action Plan further covers the building of over 350 condominium housing units on Pier 45. A hotel and selected convenience retail may also be included.

The Port will complete these capital improvement projects using a combination of excess revenues, new municipal bonds and private developer participations. The 1980s will be a decade of capital expansion for the Port of San Francisco.

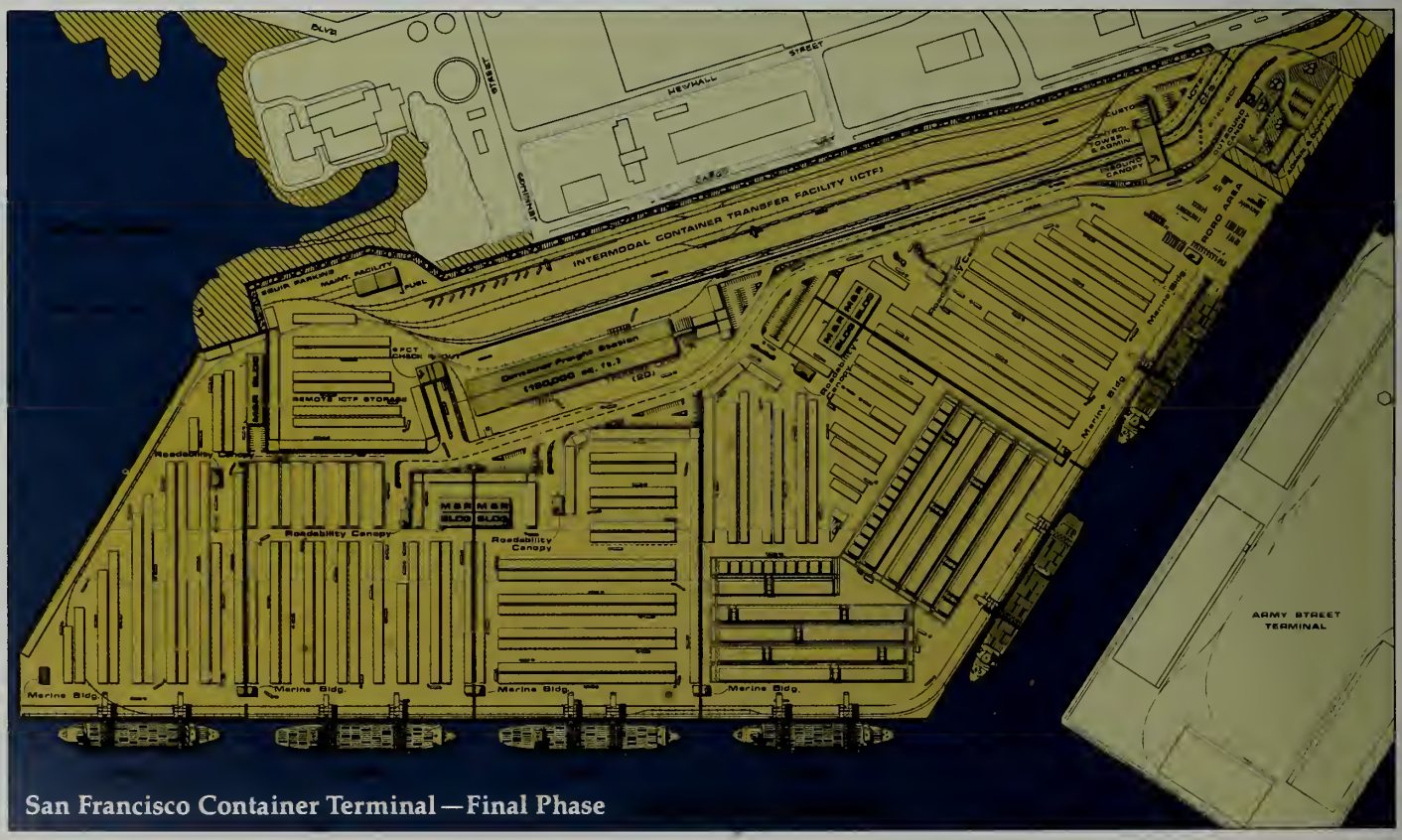




Pier 35 Passenger Terminal (far left), Fisherman's Wharf area (center), container cranes at San Francisco Container Terminal (top), and container operations at Pier 80 (above).



San Francisco Container Terminal—Phase I



San Francisco Container Terminal—Final Phase

With forecasts indicating that containerized cargo moving through the San Francisco Bay Area will more than double by the year 2000 and quadruple by 2020, the Port is beginning a major expansion program that will add container facilities and increase throughput capacity.

Right now the Port's container facilities, if fully utilized, could handle about 2.6 million tons or 25% of the present capabilities of all Bay Area ports.

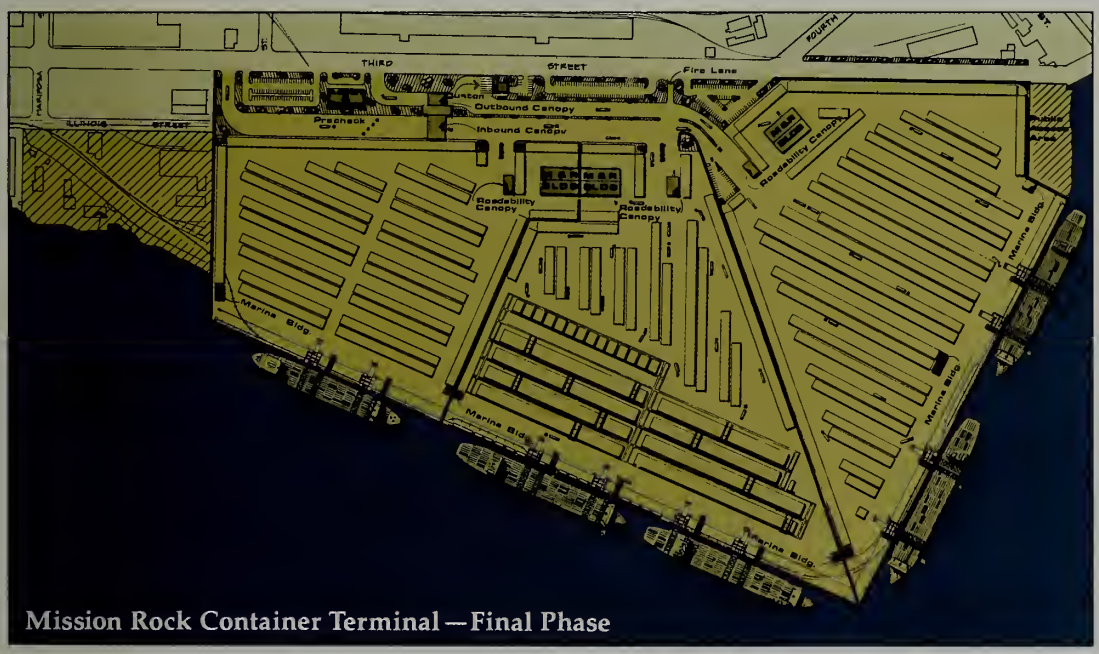
Based on maintaining that 25% of the market, a conceptual maritime master plan has been prepared by an engineering and architecture consultant, showing the facilities required to reach 25% or six million tons by 2000.

The two major areas of expansion are the San Francisco Container Terminal (now Piers 88-96) and a new Mission Rock Container Terminal (Piers 48-54).

In Phase I of the San Francisco Container Terminal expansion (to be completed by the late 1980s), two new berths and appropriate back-up facilities are to be developed. By the completion of Phase III, the final phase, the terminal would contain a total of six berths, four new berths and two improved berths. The Mission Rock Container Terminal, also planned as a three-stage development, would yield five berths.

This entire expansion plan could be completed by the mid-1990s and would give the Port a total of 11 new or improved container berths.

When the forecasts become facts, the Port of San Francisco will be ready.



Mission Rock Container Terminal—Final Phase

Balance Sheet as of June 30, 1981

Assets

CURRENT ASSETS:	
Cash in Treasury, City and County of San Francisco—Port operating fund	$ 9,405,145
Cash—revolving funds	386,400
Accounts receivable (less allowance for doubtful accounts of $461,115)	3,442,072
Materials and supplies	544,330
Prepaid insurance and other assets	298,915
Total current assets	14,076,862
RESTRICTED ASSETS (notes 3, 4):	
Cash and short-term investments:	
Capital outlay	4,446,107
Bond interest and redemption	1,871,053
Accrued interest receivable	107,910
Lessee deposits held in trust	549,233
Total restricted assets	6,974,303
PROPERTY, PLANT, AND EQUIPMENT—Net (note 2)	156,893,928
TOTAL	$177,945,093

See notes to financial statements.

Liabilities and Equity

CURRENT LIABILITIES:	
Accrued liabilities	$ 4,871,778
Current maturities of bonded debt (note 3)	3,868,667
Accrued bond interest payable	376,479
Deferred credits	776,055
Total current liabilities	9,892,979
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:	
Current maturities of bonded debt (note 3)	20,333
Accrued bond interest payable	800
Lessee deposits	549,233
Total	570,366
DEFERRED INCOME	1,736,275
BONDED DEBT—Less current maturities (note 3)	65,413,000
TOTAL LIABILITIES	77,612,620
EQUITY:	
Contributions in aid of construction	13,048,925
Revaluation of property	56,063,202
Retained earnings	31,220,346
Total equity	100,332,473
TOTAL	$177,945,093

See notes to financial statements.

Statement of Income for the Year Ended June 30, 1981

OPERATING REVENUES:	
Property rentals (note 5)	$12,264,328
Wharfage, dockage, and demurrage	7,385,082
Commercial power	1,422,091
Other	609,933
Total operating revenues	21,681,434
OPERATING EXPENSES:	
Operations	5,815,858
Maintenance	4,947,616
Depreciation and amortization	3,179,453
Commercial power	1,088,333
Fire boat operations	647,977
Total operating expenses	15,679,237
OPERATING INCOME	6,002,197
INTEREST INCOME	2,598,420
INTEREST EXPENSE	3,684,664
NET INCOME	$ 4,915,953

See notes to financial statements.

Statement of Equity for the Year Ended June 30, 1981

	TOTAL EQUITY	CONTRIBUTIONS IN AID OF CONSTRUCTION	REVALUATION OF PROPERTY	RETAINED EARNINGS
BALANCE AT JULY 1, 1980	$ 94,336,433	$11,968,838	$56,063,202	$26,304,393
NET INCOME	4,915,953			4,915,953
FEDERAL GOVERNMENT GRANTS	1,080,087	1,080,087		
BALANCE AT JUNE 30, 1981	$100,332,473	$13,048,925	$56,063,202	$31,220,346

See notes to financial statements.

Statement of Changes in Financial Position For the year ended June 30, 1981

SOURCES OF FUNDS:	
Operations:	
Net income	$ 4,915,953
Expenses not requiring use of working capital— depreciation and amortization	3,179,453
Revenue not providing working capital— recognition of deferred income	(149,564)
Total from operations	7,945,842
Additions to deferred income	1,785,196
Federal government grants	1,080,087
Retirement of property, plant, and equipment	193,172
Decrease in restricted assets	779,669
Total	11,783,966
USES OF FUNDS:	
Reduction of noncurrent bonded debt	3,889,000
Acquisition of property, plant, and equipment	4,779,961
Decrease in liabilities payable from restricted assets	650,940
Total	9,319,901
INCREASE IN WORKING CAPITAL	$ 2,464,065

WORKING CAPITAL INCREASE (DECREASE) BY COMPONENT:	
Cash	$ 3,397,648
Accounts receivable	1,018,156
Materials and supplies	51
Prepaid insurance and other assets	20,571
Accrued liabilities	(955,062)
Current maturities of bonded debt	(87,773)
Accrued bond interest payable	(376,479)
Deferred credits	(776,055)
Payable to City and County of San Francisco	223,008
INCREASE IN WORKING CAPITAL	$ 2,464,065

See notes to financial statements.

1. Summary of Significant Accounting Policies

Organization: The Port of San Francisco (Port) is an enterprise fund of the City and County of San Francisco (City).

Prior to February 7, 1969 the Port was owned by the State of California (State) and administered by the San Francisco Port Authority, a State agency. On February 7, 1969 the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 (Burton Act), as amended, and ratified by the City's voters on November 5, 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

Method of accounting: Accounting records are maintained on the accrual basis.

Lease revenue from the rental of building spaces, ground areas, and facilities is accounted for under the "operating method." Under this method, lease revenue is earned as it becomes due and related expenses are recognized as incurred.

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost (principally average cost).

Property, plant, and equipment: Land transferred to the City on February 7, 1969 is stated at an amount which includes an increase over historical cost of $56,063,202 recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Land acquired after February 7, 1969 and land improvements are stated at cost. Land improvements (principally pavement and railroad tracks) with a cost of approximately $14,000,000 are not depreciated since, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Other property, plant, and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Deferred credits result from unresolved differences arising primarily from reconciliation of certain asset and liability account balances between the Port and the City.

Deferred income generally represents the cost of capital improvements paid by tenants which will be offset against future rental payments.

2. Property, Plant, and Equipment

At June 30, 1981, property, plant, and equipment consisted of:

	COST	ESTIMATED USEFUL LIFE (YEARS)
Land and land improvements	$101,633,321	
Buildings, structures, and related improvements	113,513,205	10-50
Equipment	3,121,369	5-40
Total	218,267,895	
Less depreciation and amortization	(65,276,875)	
Net	152,991,020	
Construction work in progress	3,902,908	
Total	$156,893,928	

The cost of fully depreciated assets still in use was approximately $26,570,000 at June 30, 1981.

3. Bonded Debt

At June 30, 1981 bonded debt consisted of:	Interest Rate	Fiscal Year Last Series Matures	Balance
			(In thousands)
General obligation bonds:			
State of California:			
India Basin 1909	4.0%	1985	$ 45
Second Seawall 1909	4.0	1985	442
Third Seawall 1913	4.0	1989	1,050
Fourth Seawall 1929, Series F	3.0	1983	80
Fifth Seawall 1958, Series A, B, F, G, and H	1.0-5.5	1999	22,635
City and County of San Francisco — Harbor Improvement 1971:			
Series A	4.5-6.0	2003	17,600
Series B	5.4-6.75	2005	9,600
Total general obligation bonds			51,452
Revenue bonds:			
Series A 1969	7.0-8.5	1999	10,000
Series B 1971	5.25-6.75	2001	7,850
Total revenue bonds			17,850
Total			69,302
Less current maturities			3,889
Total			$65,413

The bonds mature as follows:	State of California	City and County of San Francisco	Revenue Bonds	Total
		(In thousands)		
Year Ended June 30:				
1982	$ 2,314	$ 1,200	$ 375	$ 3,889
1983	2,314	1,200	400	3,914
1984	1,899	1,200	400	3,499
1985	1,870	1,200	425	3,495
1986	1,770	1,200	550	3,520
1987-91	7,975	6,000	3,725	17,700
Thereafter	6,110	15,200	11,975	33,285
Total	$24,252	$27,200	$17,850	$69,302

The revenue bonds are secured by a lien on the net revenues of the Port, as defined, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that net revenues, as defined, be at least 1.3 times the debt service requirements of such bonds for the ensuing twelve months. Certain bond resolutions require the Port to maintain sinking funds for the purpose of accumulating assets for interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which sinking funds assets may be invested.

4. Fire Insurance Proceeds

At June 30, 1981 restricted capital outlay funds included unexpended fire insurance proceeds of $370,561 remaining from the Piers 37 and 40 fires. In addition, $194,307 was received after June 30, 1981 as final insurance settlement for Pier 40.

Under the terms of the revenue bond covenants, the insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231.

5. Property Rentals

Certain of the Port's property rental agreements call for rental payments to be based on a percentage of tenant sales, subject to a minimum amount. Property rental income for the year ended June 30, 1981 was comprised as follows:

Minimum rentals	$ 9,239,574
Percentage rentals	3,024,754
Total	$12,264,328

Minimum future rents under noncancelable operating leases having terms in excess of one year are as follows:

Year Ended June 30:	
1982	$ 3,044,607
1983	2,864,983
1984	2,607,157
1985	2,260,562
1986	2,114,803
Thereafter	73,739,613
Total	$86,631,725

Property subject to operating leases and property held for lease as of June 30, 1981 consisted of:

Land and land improvements	$18,179,856
Buildings, structures, and related improvements (at cost less accumulated depreciation of $40,710,521)	13,401,254
Total	$31,581,110

6. Pension Plans

The Port participates in the State of California Public Employees' Retirement System (PERS), the City and County of San Francisco Employees' Retirement System (ERS), and the Railroad Retirement Act. These are contributory plans providing retirement, disability, and death benefits for substantially all permanent employees.

Pension plan costs, including amortization of prior service costs, are charged to expense and funded annually.

PERS—As of June 30, 1980, the date of the most recent actuarial valuation, the actuarial present value of vested and nonvested accumulated plan benefits was $11,694,016 and the net assets available for benefits was $6,472,112. The weighted average rate of return used in determining the actuarial present value of vested and nonvested accumulated plan benefits was 6.5%. Separate values for vested and nonvested accumulated plan benefits have not been computed.

ERS—Employer contribution rates are established based on actuarial valuations which consider both unfunded past service costs and current costs and are designed to fund 95% of the excess liability for vested benefits over a fourteen year period. The City determines contributions due from each fund based on employee payroll. Plan assets, liabilities, and benefits are not allocated.

The Port's total pension expense for 1981 was $799,569.

7. Commitments and Contingent Liabilities

The Port is presently planning various development projects which may commit it to expend significant capital funds. In addition to the use of exisiting capital outlay funds, the Port may seek additional financing or refinancing to meet these commitments.

Under a Management Advisory Contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. The terms of this agreement require Port Railroad, Inc. to operate the railroad for a period of twenty years. The contract is cancelable by Port Railroad, Inc. with nine-months written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. A substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. However, in the opinion of counsel, the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include an accrual for the aggregate amount of deductibles under applicable insurance policies.

Auditors' Opinion

Deloitte Haskins+Sells

44 Montgomery Street
San Francisco, California 94104
(415) 393-4300
Telex 340336

The Honorable John C. Farrell, Controller
City and County of San Francisco:

We have examined the balance sheet of the Port Commission, City and County of San Francisco, Port of San Francisco (Port) as of June 30, 1981 and the related statements of income, equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Port at June 30, 1981 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells

December 18, 1981

Arthur H. Coleman, vice president. Appointed to the Commission in 1981. A San Francisco physician, he has been in private practice here since 1948 and is co-founder and president of the San Francisco Medical Associates, Inc., a privately-owned multi-specialty clinic.

Harry Bridges. Appointed to the Commission in 1971. Born in Melbourne, Australia, Mr. Bridges gained national prominence as president of the International Longshoremen's and Warehousemen's Union (ILWU). He held that position from 1937 to 1977.

Eugene L. Gartland, president. Appointed to the Commission in 1979. A maritime attorney, he is senior partner in the law firm of Gartland and Tilly, and is general counsel for a major maritime labor organization.

James J. Rudden. Appointed to the Commission in 1961, serving eight years as its president. Mr. Rudden is Board Chairman of Ray Oil Burner Company, an international concern.

Jack Morrison. Appointed to the Commission in 1976. A former newspaperman and member of the San Francisco Board of Supervisors, Mr. Morrison is a management consultant and recently served on the City Charter Revision Committee.

The Port of San Francisco

Ferry Building
San Francisco, CA 94111
(415) 391-8000

Port of San Francisco 1982 Annual Report

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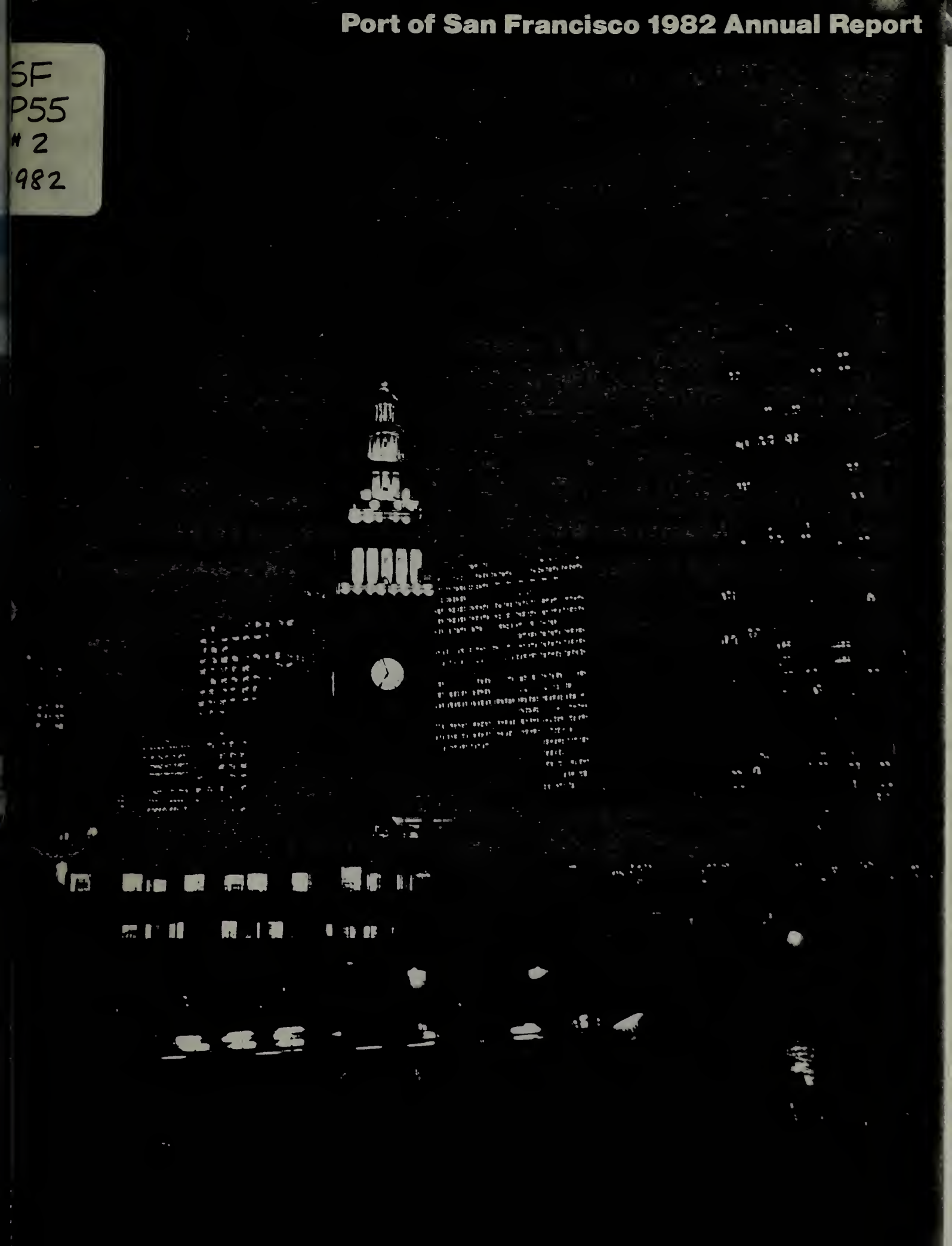

Our future as the Gateway to the Pacific requires reaching out for trade, new markets and investments.

The impressive achievements of the Port this year ensures our place in that future.

The groundwork has been laid. Our efforts to tell the world-wide shipping industry of our capabilities and our competitive position are being brought to fruition. In the last year, our Port has attracted two new shipping lines and another has returned to us. We are capable of handling 25% of the Bay Area container cargo and we are aggressively going after our share. Healthy increases in tonnage are projected for the future, and the Port is planning to expand the San Francisco Container Terminal to meet those increases.

I am pleased with the new Bethlehem-Todd Shipyard Agreement which will mean new vitality for our ship repair and shipbuilding industry and this means jobs.

Recently, I learned that the Navy is sending a 14 ship carrier battle group to home port in San Francisco. This is the Navy's endorsement of our Port and its confidence in Todd's professionalism.

Our Port is diligently maintaining our rightful and traditional leadership role in the maritime world because we are concerned about our tomorrows and are more ready for their challenges than ever before.

Dianne Feinstein
Mayor

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Air News Photos

The Port Today

This past year was a year of accomplishments and new beginnings.

With the closing of fiscal year 1982, the Port showed a net income of $5.6 million, a 15% increase over fiscal 1981. Total revenues for this period were $26.4 million, a 9% increase. This marked the Port's fourth straight year of substantial gains.

The maritime future of the Port lies on the southern waterfront, which contains vast areas of land for container development and expansion. The development and expansion of this area will take place because of the Port's decision to capitalize on the commercial potential of the northern waterfront property.

This last year preliminary design work was completed for the expansion of Pier 94-96, which included a new spur track. It is presently under construction at a cost of $3 million. A new Paceco crane has been ordered for the Army Street Terminal, bringing a total of three cranes at Pier 80 and four cranes at Pier 94-96.

This is just the beginning of our commitment to expand the southern waterfront so that we will be able to maintain San Francisco's share of the cargo market in the Bay Area.

On the northern waterfront, we awarded the lease for the historic Belt Railroad Roundhouse and for Seawall Lot 321, a total of 75,000 square feet of new commercial development.

In May, the new passenger waiting room at Pier 35, a $1.5 million undertaking, was dedicated. Following its opening, Holland America Cruises selected San Francisco as home port for its huge, new luxury liner, the "Nieuw Amsterdam." There is no question that the cruise industry in San Francisco is experiencing a rebirth.

In June, we opened the Fisherman's Wharf Pavilion, our first step in the implementation of the "Fisherman's Wharf Action Plan." Preliminary planning for the Hyde Street Pier breakwater and the development of Pier 45 also began this last year.

We will soon be going forward with a request for proposals for the Pier 3 development.

The projects on the northern waterfront provide the needed income necessary to assure further maritime development on the southern waterfront, and together they make up the Port in the 80's.

Edward L. David

Edward L. David
Executive Director

Maritime Operations

This year maritime operations accounted for $10.5 million or 42% of the Port's revenue.

Total cargo tonnage through the Port of San Francisco for fiscal year 1982 was 2,194,000 metric tons. General cargo was 1,654,000 metric tons.

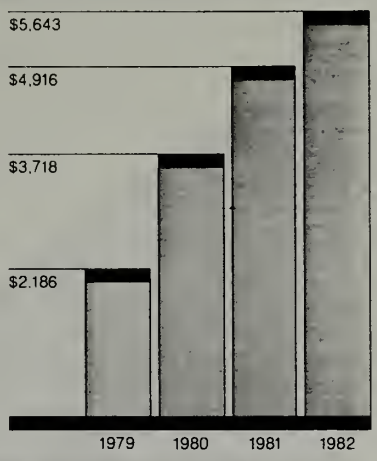
Containerized cargo, accounting for over one-half of the general cargo, was handled almost exclusively by the Port's container facilities at Pier 94-96 and Pier 80. The Port of San Francisco continues to handle most of the break-bulk cargo in the Bay Area.

Grain exports amounted to 88,000 metric tons during fiscal 1981-82 and were principally wheat and corn.

The Port's two liquid bulk terminals together with the petroleum pipeline, handled 429,000 metric tons of liquid bulk during the fiscal year.

Evergreen Line returned to the Port of San Francisco in May of 1982, reestablishing the line's service between California and the Far East.

For the first time since the China Ocean Shipping Company began service from the Peoples Republic of China to the United States' West Coast, a balance between incoming and outgoing cargos was achieved in November. COSCO's three modern ro/ro ships provide San Francisco with monthly container service to Tientsin and Shanghai.



Net Income (in thousands)

Latin America continues to account for a significant volume of business for the Port of San Francisco. In May, representatives of the Port traveled to South America to discuss future plans of the companies and the development program of the Port.

In May, the new Pier 35 Passenger Terminal was officially opened. As the major steamship passenger terminal in the Bay Area, the terminal was used last year by nearly 48,000 passengers embarking or disembarking on the 72 cruise ships that call here.

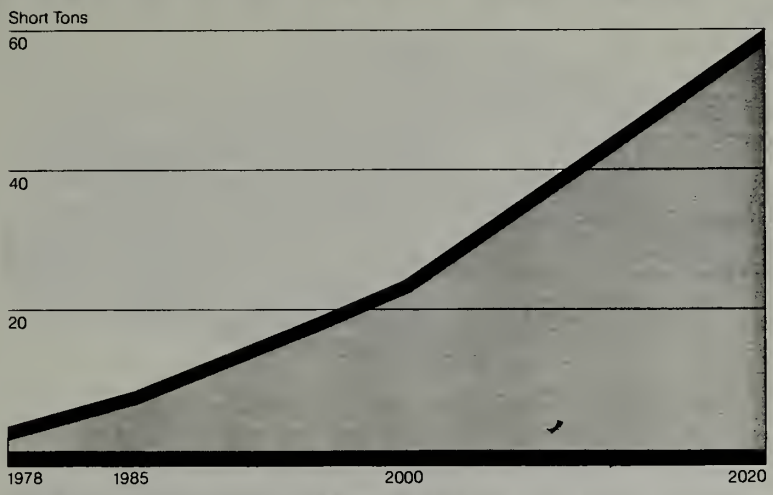
Following the opening of the facility, Holland American Cruises announced in June the selection of the Port of San Francisco as the home base of its new luxury cruise ships, the SS Nieuw Amsterdam, for a service of 16 two week Mexican cruises scheduled to begin October 1983.

Commercial Operations

For fiscal year 1981-82 revenues from the commercial operations were $10.9 million or 46% of the Port's revenue. This year saw the completion of the Pavilion at Fisherman's Wharf which houses the public restrooms and the new Harbor Carrier facility at the Wharf.

During fiscal 1981-82, the Port awarded the lease for the historic Belt Railroad Roundhouse site to Three One Eight Associates, a San Francisco developer. Preliminary plans were based on adaptive restoration and reuse of the landmark status structures and the addition of new ones. Construction is scheduled to begin by April 1, 1983.

The awarding of the American Association of Port Authorities award for Environmental Improvement marked the completion of the Waterfront Promenade. This 1,600 foot section of Bay shoreline was constructed solely for the benefit of the public, where San Franciscans can view and enjoy the Bay. Plans are now under way to introduce a water-oriented sculpture in the Bay adjacent to the site.



Projected Containerized Cargo Growth for the Port of San Francisco*

*Seaport Plan – A Cooperative MTC – BCDC Effort

The Decade of Capital Expansion

Early in 1982, the Port revealed its long-range maritime master plan that designates specifically how many container facilities the Port is going to need, when and where.

In an effort to assist the Port in their effort to finance the major expansion and capital improvement plans, Lehman Brothers Kuhn Loeb, Inc., a New York investment banking firm and Manatt, Phelps, Rothberg and Tunney, attorneys at law in San Francisco were selected as the Port's financial advisor and bond counsel, respectively.

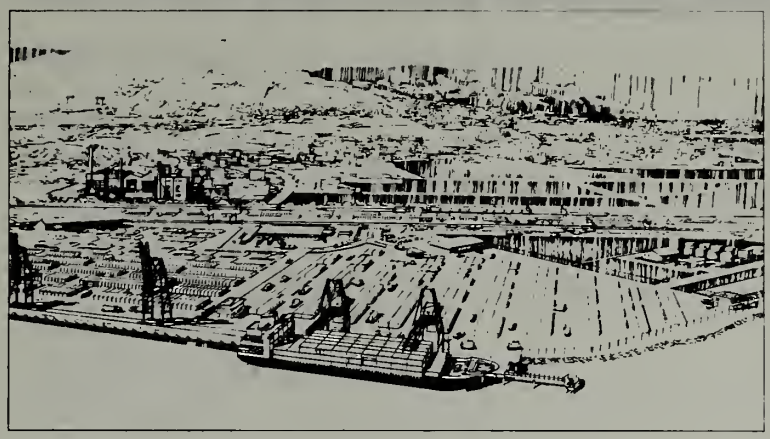
Square One Film and Video Roger Zema

rket Demand and inning

he year 1990, West Coast ainer trade is expected to ease 140% over 1978, 5 million short tons to 12.1 ion short tons. By the 2000, container trade is ected to reach 19.6 million rt tons and the Bay Area nds to maintain its compe- e position with other t Coast ports.

resent, the Port's con- er terminal if fully utilized ld handle approximately million short tons or approx- tely 25% of the present abilities of Bay Area ports. Francisco wants to be he position to maintain its 6 market share and there- e designed its long range ster plan.

ise one of that plan began s year with the planning for expansion of the San ncisco Container Terminal. s phase includes:



☐ One additional container berth with the renovation of two existing berths to provide a three berth modern state of the art container terminal facility.
☐ A state of the art Intermodal Container Transfer facility for rail operation.
☐ A central check-in facility.
☐ "On-dock" access to the container freight station and intermodal container transfer facility.
☐ A new spur track to accommodate unit trains.
This phase is expected to be completed by 1988-89.

Balance Sheets as of June 30, 1982 and 1981

Assets	1982	1981
Current Assets:		
Cash in Treasury, City and County of San Francisco — Port operating fund	$ 13,521,094	$ 9,405,145
Cash — revolving funds	334,381	386,400
Accounts receivable (less allowance for doubtful accounts: 1982, $562,108; 1981, $461,115)	3,022,092	3,442,072
Materials and supplies	527,469	544,330
Prepaid insurance and other assets	292,196	298,915
Total current assets	17,697,232	14,076,862
Restricted Assets (Notes 3 & 4):		
Cash and short-term investments:		
Capital outlay	3,394,205	4,446,107
Bond interest and redemption	1,276,800	1,871,053
Accrued interest receivable		107,910
Lessee deposits held in trust	514,330	549,233
Total restricted assets	5,185,335	6,974,303
Property, Plant, and Equipment—Net (Note 2)	158,447,950	156,893,928
Total	$181,330,517	$177,945,093

See notes to financial statements.

Liabilities and Equity	1982	1981
Current Liabilities:		
Accrued liabilities	$ 5,446,282	$ 4,871,778
Current maturities of bonded debt (Note 3)	3,893,667	3,868,667
Accrued bond interest payable	339,400	376,479
Deferred credits	591,383	776,055
Total current liabilities	10,270,732	9,892,979
Current Liabilities Payable from Restricted Assets:		
Current maturities of bonded debt (Note 3)	20,333	20,333
Accrued bond interest payable	26,667	800
Lessee deposits	514,330	549,233
Total	561,330	570,366
Deferred Revenue	1,462,009	1,736,275
Bonded Debt—Less current maturities (Note 3)	61,499,000	65,413,000
Total Liabilities	73,793,071	77,612,620
Equity:		
Contributions in aid of construction	14,610,637	13,048,925
Revaluation of property	56,063,202	56,063,202
Retained earnings	36,863,607	31,220,346
Total equity	107,537,446	100,332,473
Total	$181,330,517	$177,945,093

See notes to financial statements.

Statements of Income for the Years Ended June 30, 1982 and 1981

	1982	1981
Operating Revenues:		
Property rentals (Note 5)	$13,576,978	$12,264,328
Wharfage, dockage, and demurrage	7,804,379	7,385,082
Commercial power	2,034,552	1,422,091
Other	448,324	609,933
Total operating revenues	23,864,233	21,681,434
Operating Expenses:		
Operations	4,986,506	5,815,858
Maintenance	6,432,051	4,947,616
Depreciation and amortization	3,389,624	3,179,453
Commercial power	1,616,293	1,088,333
Fire boat operations	797,350	647,977
Total operating expenses	17,221,824	15,679,237
Operating Income	6,642,409	6,002,197
Interest Income	2,488,557	2,598,420
Interest Expense	3,487,705	3,684,664
Net Income	$ 5,643,261	$ 4,915,953

See notes to financial statements.

Statements of Equity for the Years Ended June 30, 1982 and 1981

	Total Equity	Contributions in Aid of Construction	Revaluation of Property	Retained Earnings
Balance at July 1, 1980	$ 94,336,433	$11,968,838	$56,063,202	$26,304,393
Net Income	4,915,953			4,915,953
Federal Government Grants	1,080,087	1,080,087		
Balance at June 30, 1981	100,332,473	13,048,925	56,063,202	31,220,346
Net Income	5,643,261			5,643,261
Federal Government Grants	1,561,712	1,561,712		-
Balance at June 30, 1982	$107,537,446	$14,610,637	$56,063,202	$36,863,607

See notes to financial statements.

Statements of Changes in Financial Position for the Years Ended June 30, 1982 and 1981

	1982	1981
Sources of Funds:		
Operations:		
Net income	$ 5,643,261	$ 4,915,953
Expenses not requiring use of working capital —depreciation and amortization	3,389,624	3,179,453
Revenue not providing working capital—recognition of deferred revenue	(274,266)	(149,564)
Total from operations	8,758,619	7,945,842
Decrease in restricted assets	1,788,968	779,669
Federal government grants	1,561,712	1,080,087
Additions to deferred revenue		1,785,196
Retirement of property, plant, and equipment	3,676	193,172
Total	12,112,975	11,783,966
Uses of Funds:		
Acquisition of property, plant, and equipment	4,947,322	4,779,961
Reduction of noncurrent bonded debt	3,914,000	3,889,000
Decrease in liabilities payable from restricted assets	9,036	650,940
Total	8,870,358	9,319,901
Increase in Working Capital	$ 3,242,617	$ 2,464,065
Working Capital Increase (Decrease) by Component:		
Cash	$ 4,063,930	$ 3,397,648
Accounts receivable	(419,980)	1,018,156
Materials and supplies	(16,861)	51
Prepaid insurance and other assets	(6,719)	20,571
Accrued liabilities	(574,504)	(955,062)
Current maturities of bonded debt	(25,000)	(87,773)
Accrued bond interest payable	37,079	(376,479)
Deferred credits	184,672	(776,055)
Payable to City and County of San Francisco		223,008
Increase in Working Capital	$ 3,242,617	$ 2,464,065

See notes to financial statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization—The Port of San Francisco (Port) is an enterprise fund of the City and County of San Francisco (City).

Prior to February 7, 1969 the Port was owned by the State of California (State) and administered by the San Francisco Port Authority, a State agency. On February 7, 1969 the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 (Burton Act), as amended, and ratified by the City's voters on November 5, 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

Method of accounting—Accounting records are maintained on the accrual basis.

Lease revenue from the rental of building spaces, ground areas, and facilities is accounted for under the "operating method." Under this method, lease revenue is earned as it becomes due and related expenses are recognized as incurred.

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost (approximates first-in, first-out cost).

Property, plant, and equipment—Land transferred to the City on February 7, 1969 is stated at an amount which includes an increase over historical cost of $56,063,202 recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Land acquired after February 7, 1969 and land improvements are stated at cost. Land improvements (principally pavement and railroad tracks) with a cost of approximately $14,000,000 are not depreciated since, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Other property, plant, and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Deferred credits result from unresolved differences arising primarily from reconciliation of certain asset and liability account balances between the Port and the City.

Deferred income generally represents the cost of capital improvements paid by tenants which will be offset against future rental payments.

Note 2. Property, Plant, and Equipment

At June 30, 1982 and 1981, property, plant, and equipment consisted of:

	1982	1981	Estimated Useful Life (Years)
Land and land improvements	$101,633,321	$101,633,321	-
Buildings, structures, and related improvements	116,101,210	113,513,205	10-50
Equipment	3,175,205	3,121,369	5-40
Total	220,909,736	218,267,895	
Less depreciation and amortization	(68,459,054)	(65,276,875)	
Net	152,450,682	152,991,020	
Construction work in progress	5,997,268	3,902,908	
Total	$158,447,950	$156,893,928	

The cost of fully depreciated assets still in use was approximately $31,212,000 and $26,570,000 at June 30, 1982 and 1981, respectively.

Note 3. Bonded Debt

At June 30, 1982 and 1981 bonded debt consisted of:

	Interest Rate	Fiscal Year Last Series Matures	Balance 1982	Balance 1981
General obligation bonds:				
State of California:				
India Basin 1909	4.0%	1985	$ 31	$ 45
Second Seawall 1909	4.0	1985	327	442
Third Seawall 1913	4.0	1989	915	1,050
Fourth Seawall 1929, Series F	3.0	1983	40	80
Fifth Seawall 1958, Series A, B, F, G and H	1.0-5.5	1999	20,625	22,635
City and County of San Francisco —Harbor Improvement 1971:				
Series A	4.5-6.0	2003	16,800	17,600
Series B	5.4-6.75	2005	9,200	9,600
Total general obligation bonds			47,938	51,452
Revenues bonds:				
Series A 1969	7.0-8.5	1999	9,800	10,000
Series B 1971	5.25-6.75	2001	7,675	7,850
Total revenue bonds			17,475	17,850
Total			65,413	69,302
Less current maturities			3,914	3,889
Total			$61,499	$65,413

The bonds mature as follows:

	State of California	City and County of San Francisco	Revenue Bonds	Total
Year Ended June 30:				
1983	$ 2,314	$ 1,200	$ 400	$ 3,914
1984	1,899	1,200	400	3,499
1985	1,870	1,200	425	3,495
1986	1,770	1,200	550	3,520
1987	1,770	1,200	575	3,545
1988-92	7,260	6,000	3,750	17,010
Thereafter	5,055	14,000	11,375	30,430
Total	$21,938	$26,000	$17,475	$65,413

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the ensuing twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested.

Note 4. Fire Insurance Proceeds

At June 30, 1982 and 1981 restricted capital outlay funds included unexpended fire insurance proceeds of $564,868 and $370,561, respectively, remaining from the Piers 37 and 40 fires.

Under the terms of the revenue bond covenants, the insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231.

Note 5. Property Rentals

Certain of the Port's property rental agreements call for rental payments to be based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows:

	1982	1981
Minimum rentals	$10,062,980	$ 9,239,574
Percentage rentals	3,513,998	3,024,754
Total	$13,576,978	$12,264,328

Minimum future rents under noncancelable operating leases having terms in excess of one year are as follows:

Year Ended June 30:	
1983	$ 3,199,521
1984	3,294,270
1985	2,953,719
1986	2,854,838
1987	2,794,159
Thereafter	85,141,097
Total	$100,237,604

Property subject to operating leases and property held for lease as of June 30, 1982 consisted of:

Land and land improvements	$18,179,856
Buildings, structures, and related improvements (at cost less accumulated depreciation of $42,156,025	11,955,750
Total	$30,135,606

Note 6. Pension Plans

The Port participates in the State of California Public Employees' Retirement System (PERS), the City and County of San Francisco Employees' Retirement System (ERS) and the Railroad Retirement Act. These are contributory plans providing retirement, disability, and death benefits for substantially all permanent employees.

Pension plan costs, including amortization of prior service costs, are charged to expense and funded annually.

PERS—As of June 30, 1981, the date of the most recent actuarial valuation, the actuarial present value of vested and nonvested accumulated plan benefits was $11,781,834 and the net assets available for benefits was $7,254,681. The weighted average rate of return used in determining the actuarial present value of vested and nonvested accumulated plan benefits was 8.5%. Separate values for vested and nonvested accumulated plan benefits have not been computed.

ERS—Employer contribution rates are established based on actuarial valuations which consider both unfunded past service costs and current costs and are designed to fund 95% of the excess liability for vested benefits over a fourteen year period. The City determines contributions due from each fund based on employee payroll. Plan assets, liabilities, and benefits are not allocated.

The Port's total pension expense for 1982 and 1981 was $959,108 and $799,569, respectively.

Note 7. Commitments and Contingent Liabilities
The Port is presently planning various development projects which may commit it to expend significant capital funds. In addition to the use of existing capital outlay funds, the Port may seek additional financing or refinancing to meet these commitments.

Under a Management Advisory Contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. The terms of this agreement require Port Railroad, Inc. to operate the railroad for a period of twenty years. The contract is cancelable by Port Railroad, Inc. with nine-months written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. A substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. However, in the opinion of counsel, the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include an accrual for the aggregate amount of deductibles under applicable insurance policies.

Auditors' Opinion

The Honorable John C. Farrell, Controller
City and County of San Francisco

We have examined the balance sheets of the Port Commission, City and County of San Francisco, Port of San Francisco (Port) as of June 30, 1982 and 1981 and the related statements of income, equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Port at June 30, 1982 and 1981 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

Deloitte Haskins & Sells
October 22, 1982

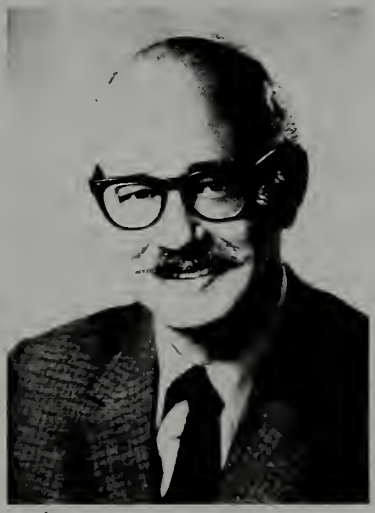
The San Francisco Port Commission

Eugene L. Gartland, President

Harry Bridges

James J. Rudden

Arthur H. Coleman,
Vice President



Jack Morrison

The Port of San Francisco
Ferry Building
San Francisco, California 94111
(415) 391-8000
Telex 467560

Design: Broom & Broom Photography: Richard Lohmann

Port of San Francisco
1983 Annual Report

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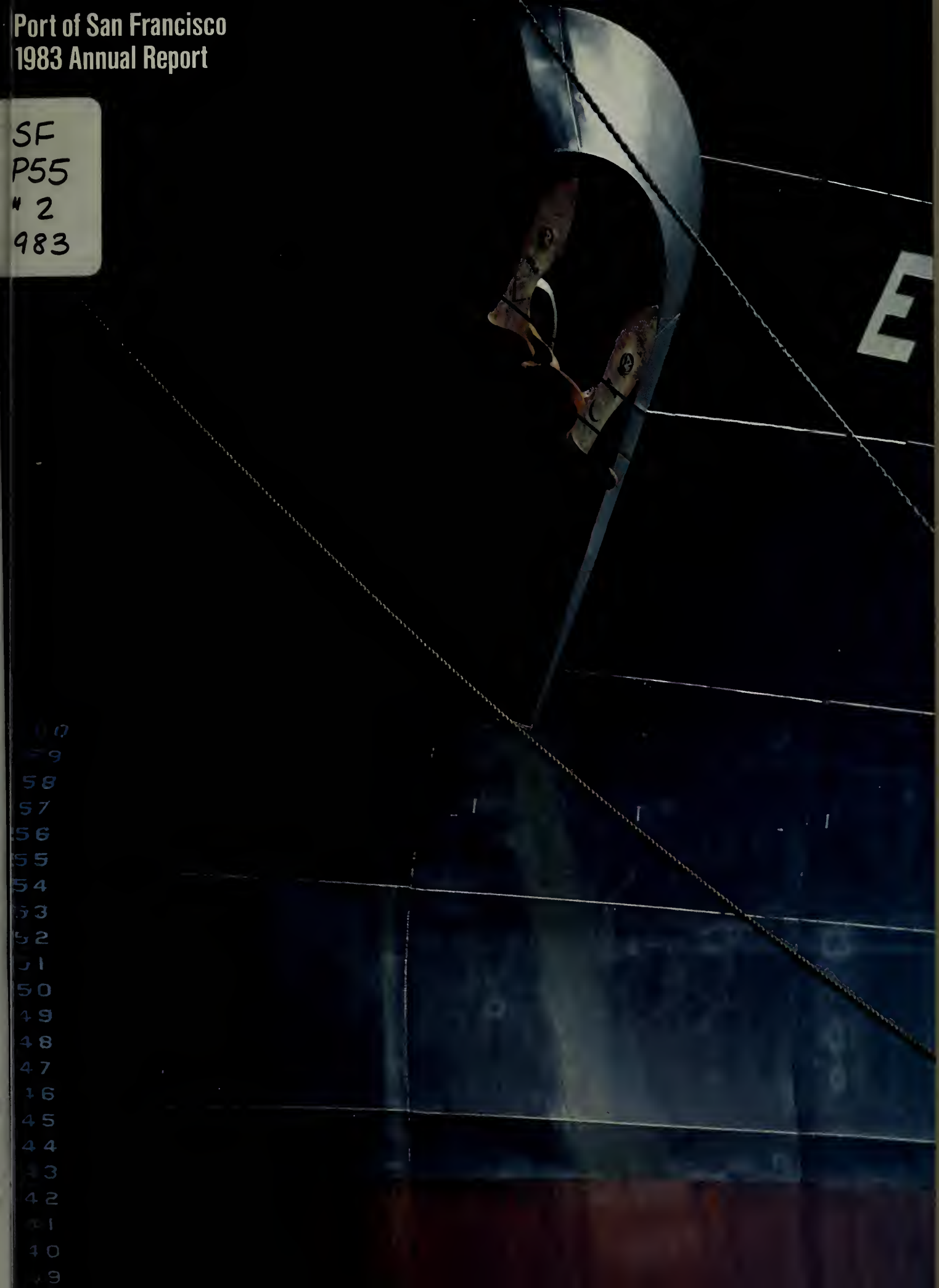


San Francisco's history is closely linked to the relationship of our Bay to the Pacific Ocean—as the Gateway to the Pacific.

The Port of San Francisco has taken long strides to sustain this City's international reputation for quality maritime services. I believe that those who read the following pages will be impressed with its progress.

The Port closed fiscal 1982-83 with a net income of $6.3 million. This healthy income was achieved by the 11% increase in our containerized cargo this year, which can be directly related to the increase in transpacific trade; the successful negotiating for the purchase of the Bethlehem Steel property and subsequent leasing to Todd Shipyards; and the ship repair lease which was negotiated with San Francisco Welding. These businesses are critical to the Port's financial vitality, and they create skilled jobs for San Franciscans.

This last year the Port has experienced a substantial increase in its cruise business. We are the new home port of the *Nieuw Amsterdam*, the world's most modern ocean liner; and thanks to the effective lobbying by our Port, Congress has passed legislation enabling one of the Cunard Line ships to be based here. Both are boons to San Francisco's cruise industry and to local jobs.

In the area of commercial property, there are several projects underway for the future: the renovation of the Ferry Building—a major development project; further implementation of the Fisherman's Wharf Action Plan, which includes building a major breakwater just approved by Congress after a ten-year struggle; and the development of Pier 45, aimed at bringing more people and facilities to bolster the economic well-being of Fisherman's Wharf.

The Port of San Francisco had a great year in 1983, and we look forward to an even better 1984. We are becoming more competitive each year, and we intend to continue to enhance our long and significant leadership role in the maritime world.

Dianne Feinstein,
Mayor

Executive director's statement

In five years the Port of San Francisco has pulled itself up by its bootstraps.

It has built a solid financial base by utilizing its diverse property on a "best and highest use" basis—whether that be maritime, commercial or public access.

Each year since 1978, our revenue and net income have increased dramatically. This year the Port recorded a hefty financial surplus of $6.3 million, which will enable us to speed recovery and to make further improvements to our maritime facilities.

Among our first priorities is the renovation of the Army Street Terminal to accommodate the increase in container cargo now being handled by the Port. This year, containers accounted for 71% of our general cargo, up from 60% last year. Now a combination facility, Pier 80 within two years will be converted into an important container terminal having three berths for containerships and two for ro/ro and combination vessels at a cost of $35 million.

The expansion of the San Francisco Container Terminal (currently Berths 94-96) will move forward again once the Army Street project is funded and underway.

Ship repair accounted for 18% of our maritime revenue this past year. The Port purchased the Bethlehem Steel Shipyard and leased it to Todd Shipyards. A portion of Pier 50 was leased to SFW. Anticipating expansion in the ship repair industry, we intend this year to negotiate for the development of more drydock space.

With a 20% increase in passengers over last year, and the steady growth of the cruise industry in San Francisco, we are planning expansion of our passenger terminal at Pier 35. Holland America Line has brought its new 1,200 passenger *Nieuw Amsterdam* to San Francisco for home porting. Additional lines and new and bigger ships like the *Sitmar Fairsky* are scheduled to begin calling here this year. Even now it is not uncommon for more than one liner to be berthed at the passenger terminal at one time, especially during the summer Alaska cruise season. Methods to minimize the time required for baggage handling and customs procedures are under study.

Two important and long-delayed projects that we will move forward this year are the construction of the Fisherman's Wharf breakwater and the redevelopment and adaptive reuse of the Ferry Building complex.

Funding for the breakwater—a federal works project—was approved in a government spending bill recently signed by the President. The Army Corps of Engineers, who will construct the concrete breakwater, will be working now with the Port's engineering department on the detailed drawings.

As a member of the Port Commission since 1979, I was privileged to be a part of the team whose decisions directed the Port's phenomenal growth over these years.

Now, as executive director, I welcome the opportunity to assist Dr. Arthur Coleman and the other members of the Port Commission in assuring that all of the Port's properties are utilized for their "best and highest use."

Eugene L. Gartland,
Executive Director

The friendliness of the City makes San Francisco a desirable home port for our Navy ships.

Maritime operations

This year maritime operations accounted for $11.3 million or 43% of the Port's revenue.

Total cargo tonnange through the Port of San Francisco for fiscal year 1983 was 2.099 million metric tons. General cargo was 1.751 million, a 6% growth over last year.

Containerized cargo now accounts for 71% of our general cargo, up from 60% last year. This growth is directly related to the improved containerized cargo activities that were implemented at Pier 94-96 this past year. In an effort to continue this growth pattern, a 40 LT Paceco crane was purchased for Pier 80. It is expected to be fully operational by December, 1983.

Grain exports amounted to 50,000 metric tons during fiscal 82-83 with wheat again being the leading export commodity at the Port.

This last year marked some notable events for the cruise industry here in San Francisco:

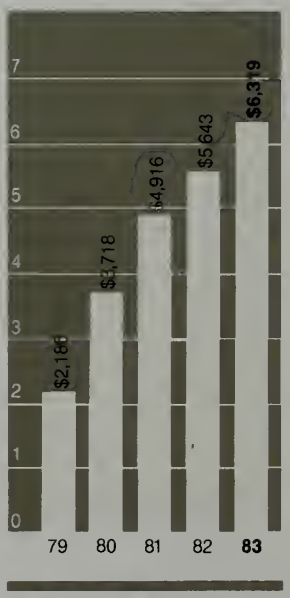
- a 20% increase in passenger calls
- the home porting of the *Nieuw Amsterdam*, a 1,200 passenger vessel
- the call of the QEII on its round-the-world cruise
- the call of the S.S. Independence, the first U.S. flag ship since the retirement of the Monterey and Mariposa in 1978
- the passage of legislation which will enable one of the Cunard Line ships to home port here

There is no question in our minds as to the future of the cruise industry in San Francisco. With new, larger vessels in the trade, we will be moving ahead with the expansion of the passenger terminal.

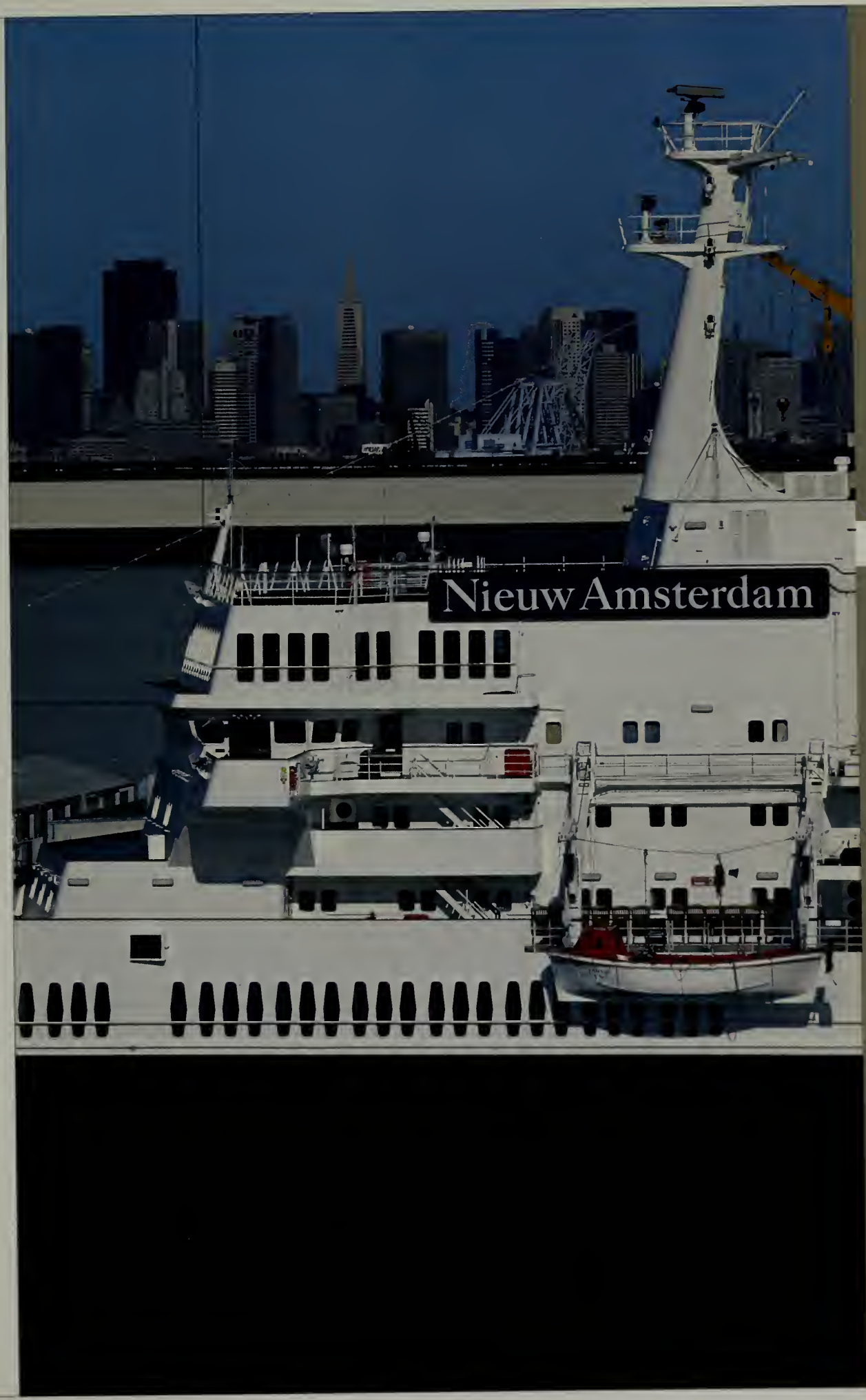
The acquisition of the 40-acre Bethlehem Steel Shipyard and subsequent leasing to Todd Shipyards underscores the Port's as well as the City's commitment to increasing blue collar jobs along the waterfront. This philosophy continues as the Port expands its ship repair activities by developing space for more drydocks.

The Foreign Trade Zone has had a 45% increase in the number of business customers which resulted in a 10% increase in the merchandise handled there.

Over the last year, we began implementing a new type of shipping line use agreement, which will improve our competitiveness so that we can continue to maintain our fair share of the Bay Area cargo market.



Net income
(in thousands)



The cruise industry has a major impact on the tourist industry of San Francisco.

Commercial operations

For fiscal year 1982-83, revenues for the commercial operations were $12.3 million or 47% of the Port's revenue.

This year saw the groundbreaking for the 42,000 square foot commercial complex designed around and utilizing the historic Belt Railroad Roundhouse. It is scheduled for completion in the Spring of '84.

With the approval of the Fisherman's Wharf Action Plan EIR and its amendments, Port staff is ready to undertake a prospectus for Pier 45, which is anticipated to be on the market by early '84.

Work continues on the Ferry Building project. Certification of the EIR by the close of 1983 will allow for detailed drawings to be developed with a construction schedule slated to be January, 1985.

The Port continues its efforts on the northern waterfront by undertaking a major painting and clean-up project, developing the final planning element of the City's Northern Waterfront Plan with the completion of the Total Design Plan for Piers 9-35, and developing a major open space recreational pier in conjunction with the Department of Recreation and Parks at Pier 7 and by inviting the public to enjoy its waterfront.

Over the last two years, the Port, in conjunction with Friends of the Port, a non-profit corporation, has produced several symphonies and a number of noontime musical performances on the Waterfront Promenade for the enjoyment of the people of San Francisco.

1984 and beyond...

The decade of the 1980's will see the implementation of many exciting projects on the San Francisco waterfront that will both enhance the Port's standing as a maritime leader, and also contribute to the commercial property, recreation, and employment objectives of the Port.

Recommendations of the Fisherman's Wharf Action Plan are being implemented in a variety of ways, including final engineering and funding for the Fisherman's Wharf breakwater and solicitation of developer interest in hotel and residential development of Pier 45. As part of the Port's ongoing maintenance program, the seawall along Jefferson Street will be rebuilt commencing in 1984.

The long awaited new concrete sheet-pile breakwater around the Pier 39 marina is under construction. In conjunction with this privately financed project is the extension and completion of the public park and plaza areas between Piers 35 and 39. A second phase program for modernizing the Pier 35 passenger terminal and improving access to and from the pier is also underway. Increasing passenger ship business at the Port of San Francisco is once again re-establishing San Francisco as the traditional preferred point of entry/departure for West Coast and worldwide tours.

In the area of Piers 1½ through 7, just north of the Ferry Building, the Port is planning a series of major projects. The bulkhead buildings of Piers 1½, 3, and 5 will be rehabilitated for a combination of office and public uses according to the guidelines of the Total Design Plan for this part of the waterfront. On Pier 3 itself an office building of up to 100,000 sq. ft. will be developed, including a public plaza at the Bayward end of the pier. This project will be the subject of a Request for Proposals to be advertised by the Port in early 1984. Pier 7 will be reconstructed as a major public open space and fishing pier. Located at the foot of Broadway, and adjacent to the Financial District, Pier 7 will also serve as a ceremonial berthing location for visiting Navy ships and other guest vessels.

Several exciting commercial property developments are under construction, including the adaptive reuse and restoration of the Belt Line Roundhouse, with ribbon-cutting ceremonies set for the Fall of 1984. In addition, the Ferry Building Complex has recently received unanimous approvals before the City's Planning Commission, and is on its way to final review before the Bay Conservation and Development Commission. This project, under the architectural direction of the world famous firm of I.M. Pei, will re-establish the Ferry Building as San Francisco's "central place," as well as construct a modern World Trade Center on Pier 1 and restore the historic Agricultural Building for an international food marketplace.

The recently completed waterfront Promenade, between the Ferry Building and Bay Bridge, is proposed as the site of a series of art works and "Sculpture on the Bay" to enhance its appearance and strengthen its role as a people-oriented place and viewpoint.

At Pier 80, the Army Street terminal, the Port plans to upgrade its container handling capability by a program of modernization and acquiring new container cranes. The proposed program, including approximately $18 million in backland improvements, utilities and repaving will triple the facility's capacity by 1986. Further south at Piers 94-96, the Port's maintenance program will improve and sustain this facility's importance as a major container handling complex.

Edward L. David
1929-1983

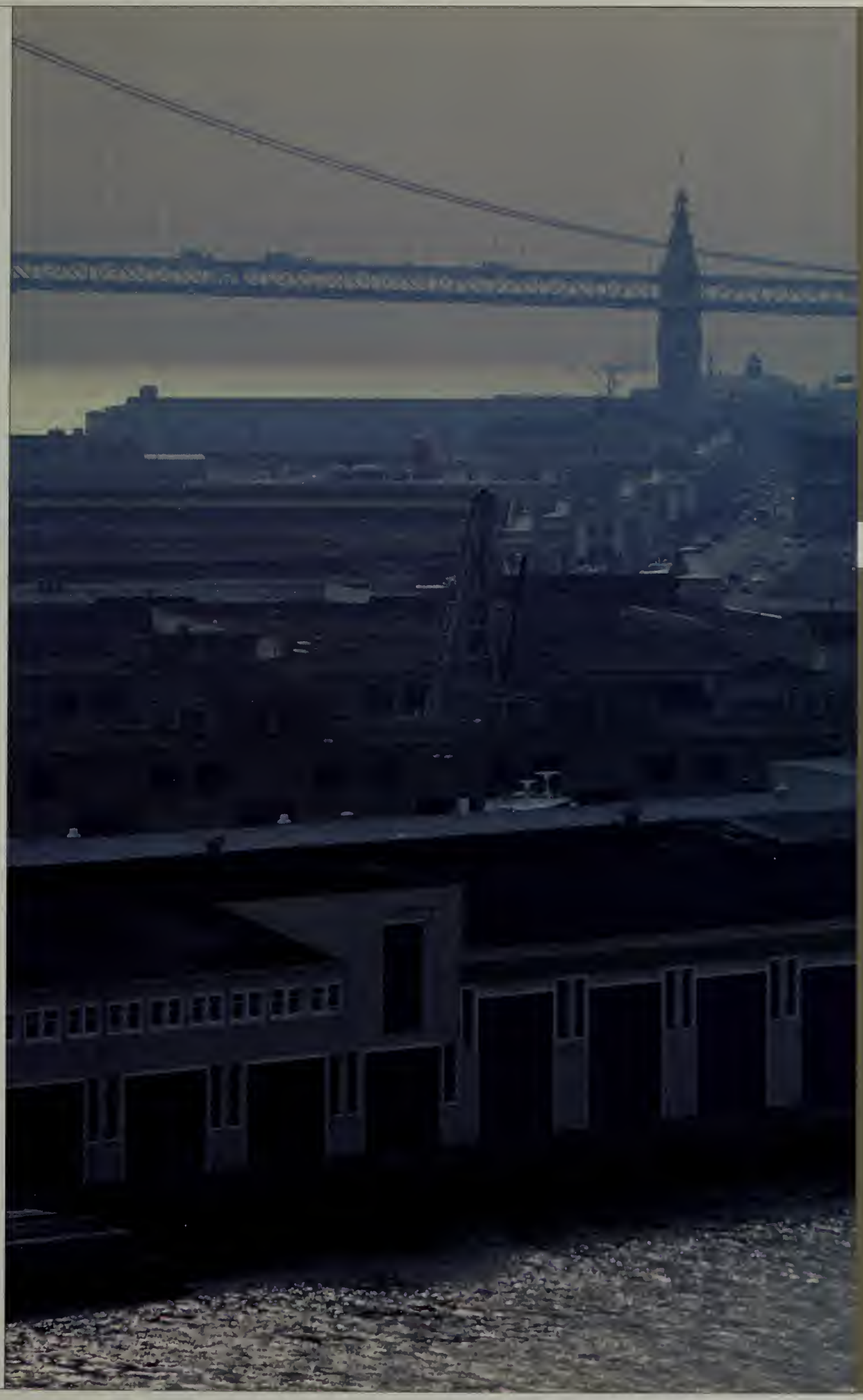
Edward L. David, who guided the Port to economic stability, died October 7, 1983 of a heart ailment. He was 54.

Mr. David had been the Executive Director since October, 1978. He joined the Port in 1960 and was the Deputy Port Director from 1965 until his appointment by George Moscone.

During his term as Executive Director, the Port experienced dramatic growth. Net income increased from $192,000 in fiscal 1978 to $6.3 million for fiscal year 1983. This was due in part to the decision to capitalize on the commercial potential of older northern waterfront property and to use this economic advantage to support the maritime growth of the underdeveloped southern waterfront.

He will be missed, but his legacy will remain and his friendship with the maritime industry will be remembered as long as ships continue to enter the Golden Gate.

In perpetuum. Requiescas in pace.



Finishing touches are now being put on the Total Design Plan for Piers 9-35.

Balance sheets

As of June 30, 1983 and 1982
(in thousands)

Assets		1983	1982
Current assets:	Cash	**$ 18,540**	$ 13,855
	Accounts receivable (less allowance for doubtful accounts: 1983, $1,230; 1982, $562)	**3,219**	3,022
	Materials and supplies	**658**	528
	Prepaid insurance and other assets	**286**	292
	Total current assets	**22,703**	17,697
Restricted assets: (Note 3)	Cash and short-term investments:		
	Capital outlay	**2,072**	3,394
	Bond interest and redemption	**2,585**	1,277
	Lessee deposits held in trust	**544**	514
	Total restricted assets	**5,201**	5,185
Property, plant and equipment—Net: (Note 2)		**168,912**	158,448
	Total	**$196,816**	$181,330

Liabilities and equity			
Current liabilities:	Accrued liabilities	**$ 4,554**	$ 5,446
	Current maturities of bonded debt (Note 3)	**7,499**	3,894
	Accrued bond interest payable	**545**	339
	Deferred credits	**293**	591
	Total current liabilities	**12,891**	10,270
Current liabilities payable from restricted assets:	Current maturities of bonded debt (Note 3)		20
	Accrued bond interest payable		27
	Lessee deposits	**544**	514
	Total	**544**	561
Deferred rentals: (Note 2)		**11,069**	1,462
Bonded debt: (Note 3)	Less current maturities	**58,000**	61,499
Total liabilities:		**82,504**	73,792
Equity:	Contributions in aid of construction	**15,066**	14,611
	Revaluation of property	**56,063**	56,063
	Retained earnings	**43,183**	36,864
	Total equity	**114,312**	107,538
	Total	**$196,816**	$181,330

See notes to financial statements.

Statements of income

For the years ended June 30, 1983 and 1982 (in thousands)

		1983	1982
Operating revenues:	Property rentals (Note 4)	**$16,076**	$13,577
	Wharfage, dockage, and demurrage	**7,514**	7,804
	Commercial power	**2,054**	2,035
	Other	**716**	448
	Total operating revenues	**26,360**	23,864
Operating expenses:	Operations	**6,977**	4,986
	Maintenance	**7,381**	6,432
	Depreciation and amortization	**3,125**	3,390
	Commercial power	**1,622**	1,616
	Fire boat operations	**862**	797
	Total operating expenses	**19,967**	17,221
Operating income:		**6,393**	6,643
Interest income:		**3,442**	2,488
Interest expense:		**(3,516)**	(3,488)
Net income:		**$ 6,319**	$ 5,643

Statements of equity

For the years ended June 30, 1983 and 1982 (in thousands)

	Total equity	Contributions in aid of construction	Revaluation of property	Retained earnings
Balance at July 1, 1981	**$100,333**	$13,049	$56,063	$31,221
Net income	**5,643**			5,643
Federal government grants	**1,562**	1,562		
Balance at June 30, 1982	**107,538**	14,611	56,063	36,864
Net income	**6,319**			6,319
Federal government grants	**455**	455		
Balance at June 30, 1983	**$114,312**	$15,066	$56,063	$43,183

See notes to financial statements.

Statements of changes in financial position

For the years ended June 30, 1983 and 1982 (in thousands)

		1983	1982
Sources of funds:	Operations:		
	Net income	**$6,319**	$ 5,643
	Expenses not using working capital—depreciation and amortization	**3,125**	3,390
	Revenue not providing working capital—recognition of deferred revenue	**(293)**	(274)
	Total from operations	**9,151**	8,759
	Federal government grants	**455**	1,562
	Total	**9,606**	10,321
Uses of funds:	Increase (decrease) in restricted assets	**16**	(1,789)
	Acquisition of property, plant, and equipment (net of $9,900 deferred rentals in 1983) (Note 2)	**3,689**	4,947
	Reduction of noncurrent bonded debt	**3,499**	3,914
	Other	**17**	6
	Total	**7,221**	7,078
Increase in working capital:		**$2,385**	$ 3,243
Working capital increase (decrease) by component:	Cash	**$4,685**	$4,064
	Accounts receivable	**197**	(420)
	Materials and supplies	**130**	(17)
	Prepaid insurance and other assets	**(6)**	(7)
	Accrued liabilities	**892**	(574)
	Current maturities of bonded debt	**(3,605)**	(25)
	Accrued bond interest payable	**(206)**	37
	Deferred Credits	**298**	185
Increase in working capital:		**$2,385**	$3,243

See notes to financial statements.

Notes to the financial statements

Note 1. Summary of significant accounting policies

Organization—The Port of San Francisco (Port) is an enterprise fund of the City and County of San Francisco (City).

Prior to February 1969 the Port was owned by the State of California (State) and administered by the San Francisco Port Authority, a State agency. In February 1969 the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 (Burton Act), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

Method of accounting—Accounting records are maintained on the accrual basis.

Lease revenue from the rental of building spaces, ground areas, and facilities is accounted for under the "operating method." Under this method, lease revenue is earned as it becomes due and related expenses are recognized as incurred.

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost (approximates first-in, first-out cost).

Property, plant, and equipment—Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000 recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Land acquired after February 1969 and land improvements are stated at cost. Land improvements (principally pavement and railroad tracks) with a cost of approximately $17,000,000 are not depreciated since, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Other property, plant, and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Deferred credits result from unresolved differences arising primarily from reconciliation of certain asset and liability account balances between the Port and the City.

Note 2. Property, plant and equipment

At June 30, 1983 and 1982 property, plant, and equipment consisted of (in thousands):

	1983	1982	Estimated Useful Life (Years)
Land and land improvements	**$114,754**	$101,633	
Buildings, structures, and related improvements	**118,853**	116,101	10-50
Equipment	**3,326**	3,175	5-40
Total	**236,933**	220,909	
Less depreciation and amortization	**(71,529)**	(68,459)	
Net	**165,404**	152,450	
Construction work in progress	**3,508**	5,998	
Total	**$168,912**	$158,448	

The cost of fully depreciated assets still in use was approximately $44,514,000 and $31,212,000 at June 30, 1983 and 1982, respectively.

During 1983 the Port acquired land, subject to a thirty-year lease, on the condition that the Port not exercise its option to acquire such property outright. The $9,900,000 property value received is included in property, plant, and equipment and deferred rentals. The deferred rentals will be recognized as additional rental revenue over the thirty-year lease term.

Note 3.
Bonded Debt

At June 30, 1983 and 1982 bonded debt consisted of (in thousands):

	Interest Rate (%)	Fiscal Year Last Series Matures	**Balance 1983**	Balance 1982
General obligation bonds:				
State of California:				
India Basin 1909	4.0	1985	**$ 17**	$ 31
Second Seawall 1909	4.0	1985	**212**	327
Third Seawall 1913	4.0	1989	**780**	915
Fourth Seawall 1929, Series F	3.0	1983		40
Fifth Seawall 1958, Series A, B, F, G and H	1.0-5.5	1999	**18,615**	20,625
City and County of San Francisco—Harbor Improvement 1971:				
Series A	4.5-6.0	2003	**16,000**	16,800
Series B	5.4-6.75	2005	**8,800**	9,200
Series C	7.0	1983	**4,000**	
Total general obligation bonds			**48,424**	47,938
Revenue bonds:				
Series A 1969	7.0-8.5	1999	**9,600**	9,800
Series B 1971	5.25-6.75	2001	**7,475**	7,675
Total revenue bonds			**17,075**	17,475
Total			**65,499**	65,413
Less current maturities			**7,499**	3,914
Total			**$58,000**	$61,499

The bonds mature as follows (in thousands):

	State of California	City and County of San Francisco	Revenue Bonds	**Total**
Year Ended June 30:				
1984	$ 1,899	$ 5,200	$ 400	**$ 7,499**
1985	1,870	1,200	425	**3,495**
1986	1,770	1,200	550	**3,520**
1987	1,770	1,200	575	**3,545**
1988	1,770	1,200	675	**3,645**
1989-93	6,545	6,000	3,775	**16,320**
Thereafter	4,000	12,800	10,675	**27,475**
Total	$19,624	$28,800	$17,075	**$65,499**

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the ensuing twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested.

Under the terms of the revenue bond covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At June 30, 1983 and 1982 restricted capital outlay funds included unexpended fire insurance proceeds of $565,00 remaining from the Piers 37 and 40 fires.

Note 4.
Property rentals

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows (in thousands):

	1983	1982
Minimum rentals	**$12,554**	$10,063
Percentage rentals	**3,522**	3,514
Total	**$16,076**	$13,577

Minimum future rents under noncancelable operating leases having terms in excess of one year are as follows (in thousands):

Year ending June 30:	
1984	$ 5,145
1985	4,804
1986	4,705
1987	4,645
1988	4,793
Thereafter	132,848
Total	$156,940

Property subject to operating leases and property held for lease at June 30, 1983 consisted of (in thousands):

Land and land improvements	$28,080
Buildings, structures, and related improvements (at cost less accumulated depreciation of $43,512)	11,015
Total	$39,095

Note 5.
Pension plans

The Port participates in the State of California Public Employees' Retirement System (PERS), the City and County of San Francisco Employees' Retirement System (ERS) and the Railroad Retirement Act. These are contributory plans providing retirement, disability, and death benefits for substantially all permanent employees.

Pension plan costs, including amortization of prior service costs, are charged to expense and funded annually.

PERS—As of June 30, 1981, the date of the most recent actuarial valuation, the actuarial present value of vested and nonvested accumulated plan benefits was $11,782,000 and the net assets available for benefits was $7,255,000. The weighted average rate of return used in determining the actuarial present value of vested and nonvested accumulated plan benefits was 8.5%. Separate values for vested and nonvested accumulated plan benefits have not been computed.

ERS—Employer contribution rates are established based on actuarial valuations which consider both unfunded past service costs and current costs and are designed to fund 95% of the excess liability for vested benefits over a fourteen year period. The City determines contributions due from each fund based on employee payroll. Plan assets, liabilities, and benefits are not allocated.

The Port's total pension expense was $931,000 for 1983 and $959,000 for 1982.

Note 6. Commitments and contingent liabilities

The Port is presently planning various development projects which may commit it to expend significant capital funds. In addition to the use of existing capital outlay funds, the Port may seek additional financing or refinancing to meet these commitments.

Under a Management Advisory Contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancelable by Port Railroad, Inc. with nine months' written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. A substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. However, in the opinion of counsel, the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include an accrual for the aggregate amount of deductibles under applicable insurance policies.

Auditors' opinion

The Honorable John C. Farrell, Controller,
City and County of San Francisco:

We have examined the balance sheets of the Port Commission, City and County of San Francisco, Port of San Francisco (Port) as of June 30, 1983 and 1982 and the related statements of income, equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such test of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Port at June 30, 1983 and 1982 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

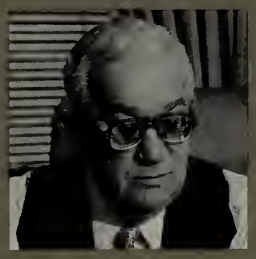
Deloitte Haskins & Sells

Deloitte Haskins & Sells
October 5, 1983

The San Francisco Port Commission

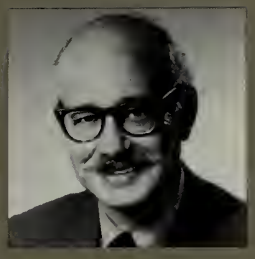
Dr. Arthur H. Coleman,
President

James J. Rudden,
Vice President



James R. Herman

Gordon Lau



Jack Morrison

The Port of San Francisco
Ferry Building
San Francisco, CA 94111
415.391.8000
Telex:467560

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PORT OF SAN FRANCISCO

1984 ANNUAL REPORT

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A Statement from The Mayor:

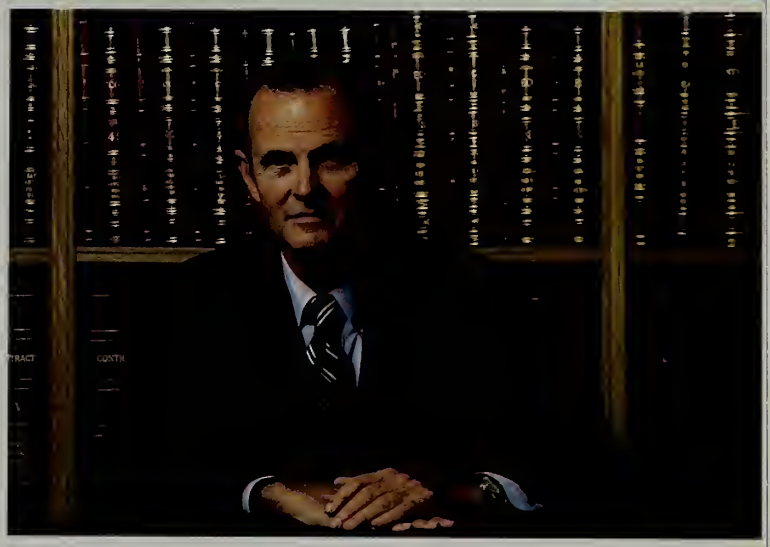
The Port of San Francisco continues to be a strong and viable competitor for the booming markets now flourishing throughout the Pacific Basin.

During the past year, the Port has reached out to renew old acquaintances, as well as to develop our new trade contacts and tap new markets. While we continue to build on our historic position as the gateway to the Pacific and the financial hub of the American West Coast, we are also striving to make our gateway a wide open door to improve international relations. Our Golden Gate is transforming the Pacific into a river of friendship and goodwill.

Although there has been a world wide economic slowdown for three preceding years, the Port of San Francisco has grown and prospered. This year we closed our accounts with a healthy $8.7 million in net income—the sixth consecutive year of steady economic growth. Our excellent financial position means that the Port is now ready and able to move forward with an accelerated modernization and maintenance program in the coming year.

San Francisco takes great pride in the progress and prospertiy of our Port. We are planning for tomorrow with confidence and ever increasing skills thereby enhancing the Port of San Francisco's leadership role in the maritime world.

Dianne Feinstein
Mayor



Executive Director's Statement:

1983–84 has been a year of serious assessment, positioning and planning for the Port of San Francisco.

Our net income and revenue increased—for the sixth consecutive year—due primarily to better and greater utilization of our maritime and non-maritime property. But this growth cannot continue for long without the expansion, improvement and modernization of our facilities.

Seventy percent of general cargo coming through the Port of San Francisco this year was containerized. We must increase our container capacity to accommodate the expanding services of our steamship users and to attract new customers.

Adding to our container handling capability, is the container intermodal transfer facility, launched this year. Further expansion of this rail service will position San Francisco as a highly competitive and cost-effective container port.

But San Francisco is more than that. We are, and will continue to be, an important port for a variety of cargo-handling operations—rolls of newsprint, automobiles, liquid and dry bulk and special project cargos.

The number of passenger ships calling San Francisco, and ship capacity, continued to increase. Several lines introduced new ships that carry 1200 passengers. San Francisco was named home base by two cruise lines. We plan to further expand our facilities to better serve these passengers and liners.

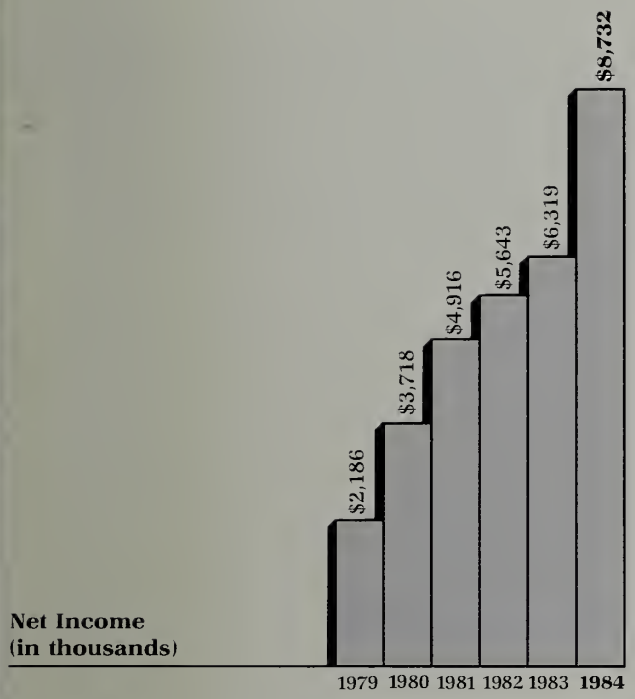
Logical development of our non-maritime property continues. The Belt Railroad Roundhouse development is near completion.

The Port has been pleased to support community events and activities on port property through joint sponsorship with Friends of the Port. These included a Summer Symphony at Ferry Plaza, the school children's Christmas at the Port program at Pier 45 and the first annual Port Promenade Whaleboat Race.

If this has been a year of planning, next year will be one of building. This is a crucial time in the modern metamorphosis of the Port of San Francisco.

Eugene L. Gartland
Executive Director

COMMERCIAL OPERATIONS



For fiscal year 1983–84, revenues for the commercial operations were $16.7 million or 55% of the Port's revenue. This represented a 5% increase over fiscal year 82–83.

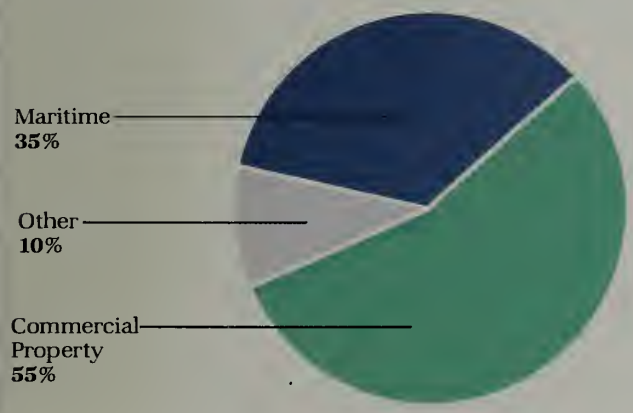
During the year, rental rates were adjusted to reflect the current market rates and the property department reached its full complement of personnel.

Contracts were awarded for the preparation of bid packages for the development of the Piers 1½, 3 and 5 complex and for Pier 45. Both of these developments hold great promise.

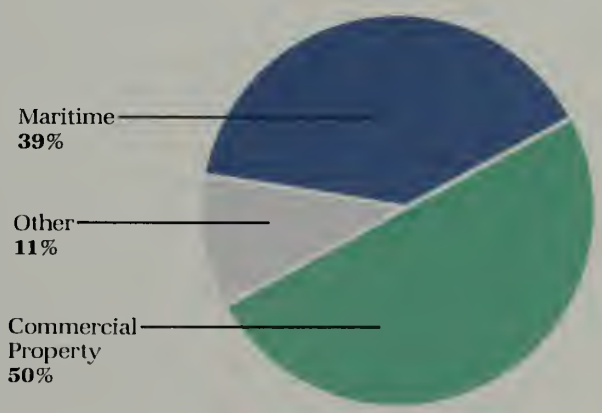
In the area of Finance & Administration, special pride was taken this year in the auditor's management letter which indicated steady improvement in the accounting practices of the Port.

Accounts receivable were reduced from $5.8 million to $4.1 million. This represents a 29% decrease.

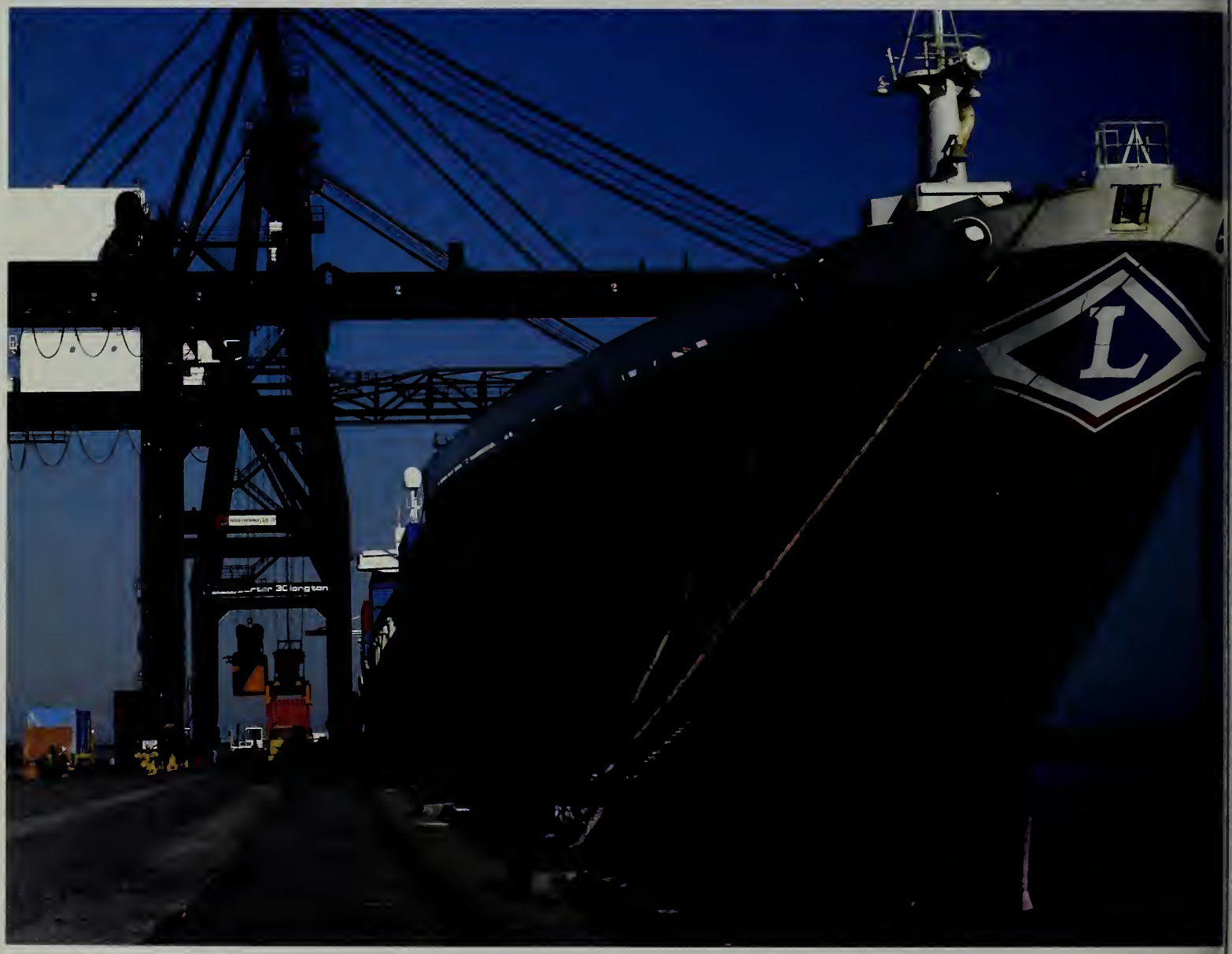
Revenues by Source



1984/1983



1983/1982



MARITIME OPERATIONS

Revenue from Maritime Operations in fiscal year 1983–84 was 10.7 million, or 35% of the Port's revenue.

San Francisco is a diversified port with maritime revenues coming from ship repair, passenger cruise services, foreign trade zone activities, as well as cargo-handling—which itself is diverse at San Francisco.

Cargo-handling brings in by far the largest share of maritime revenue. During fiscal year 1984, cargo moving through the Port of San Francisco amounted to 1,871,000 metric revenue tons, with general cargo accounting for 1,584,000 of this tonnage.

Containerized cargo continued to dominate the general cargo (70%). This year a third container crane was added to the North Terminal (Pier 80) and a transit shed was removed to increase container storage capacity. This is the begining stage of a complete modernization program now underway to turn this facility into a first-rate container terminal.

In May, the first step toward an on-dock Intermodal Container Transfer Facility (ICTF) was taken with the establishment of a temporary container rail yard at Southern Pacific's Mission Bay, two miles north of the container terminals. While this is in operation, Southern Pacific is straightening out a section of track that will allow the rail service to deliver containers on-dock making San Francisco the only port in California with this capability.

This year the Port has also been positioning itself to take full advantage of future growth. A revenue-sharing use agreement was signed with Lykes Bros. Steamship Company and National Galleon.

As the year closed, similar agreements were being negotiated with China Ocean Shipping Company and Columbus Line.

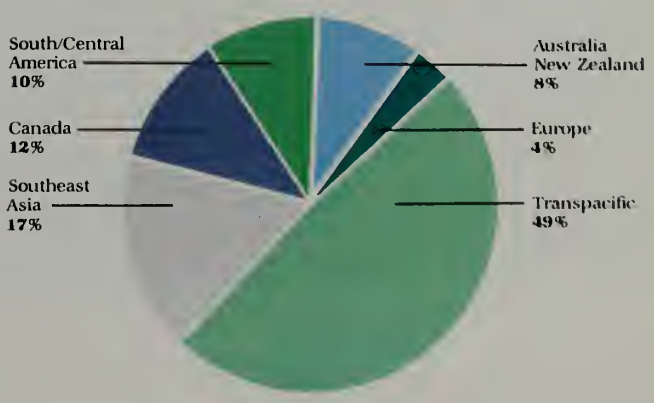
An Agreement was signed with Marine Terminals Corporation for the management of Pier 27/29 which resulted in bringing two new paper-carrying Scandinavian lines to the Port of San Francisco.

Naviera Interamericana Navicana S.A. moved to San Francisco this year, increasing San Francisco's dominance in the South American trade.

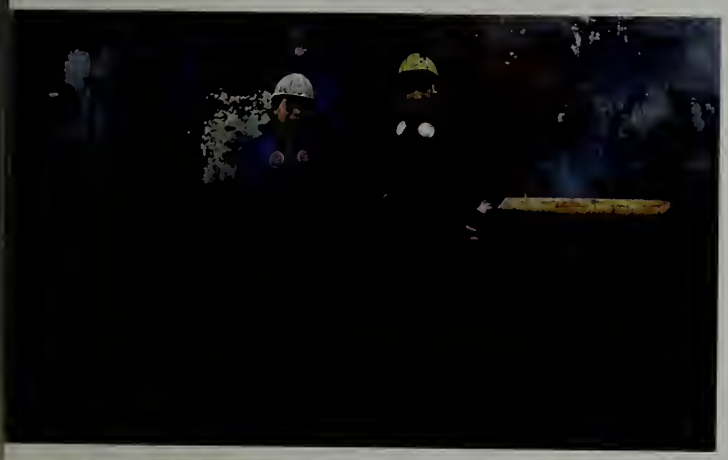
Bulk cargo showed a decline this year. Dry bulk—grain—was down 36% due to a depressed market all along the West Coast. Liquid bulk—tallow exports and coconut oil imports—was down 15%. This was due to a shift in tallow processing to the midwest and a serious drought in the Philippines affecting the coconut crop.

To augment an aggressive marketing program that the Port launched this year, sales representatives were appointed in Japan and in the U.S. midwest; including Chicago, Detroit, Cleveland, Cincinnati and Baltimore. Negotiations for a representative in Taipei, Taiwan, were in progress at year-end.

Percentage of Total Cargo Tonnage by Trade Route FY84



MARITIME OPERATIONS



Ship Repair is an important industry at the Port of San Francisco accounting for 25% of maritime revenue which, through guaranteed payments, helps stabilize the Port's revenue flow.

Five major facilities together with a number of smaller contractors and subcontractors are located along the southern waterfront of the Port.

During the fiscal year, SFW Corp. expanded its facility to include 12 acres at Pier 50, in addition to its operation at Pier 54, with plans to install a drydock there in mid-1985.

Southwest Marine also expanded its property adding a portion of Pier 26 to its Pier 28 facility to permit the installation of a small craft drydock last spring.

Foreign Trade Zone #3 at Pier 19–23 stimulates commercial activity and trade for the import/export community in the Bay Area.

During the last fiscal year, the zone served 79 business firms with six firms occupying Zone facilities on a continuous basis.

MARITIME OPERATIONS

Passenger cruise industry continues to grow on the West Coast with San Francisco a highly desirable port-of-call. This year 71 cruise ships called at the Pier 35 Passenger Terminal, a 20% increase over last year. At the same time there was an increase of 22% in the number of passengers per vessel for a 45% increase in the number of passengers embarking and disembarking in San Francisco.

Passenger dollars spent in port, plus purchases of ship supplies and stores, add up to a significant economic impact on the San Francisco area.

Holland America Line and Cunard Lines each named San Francisco as home base for a cruiseliner. Sitmar introduced its new 1200-passenger *Fairsky*.

BALANCE SHEETS

As of June 30, 1984 and 1983 (In thousands)

ASSETS		1984	1983
Current assets	Cash, principally in City Treasury—Port operating fund	**$ 16,790**	$ 18,540
	Accounts receivable (less allowance for doubtful accounts: 1984, $1,817; 1983, $1,230)	**4,099**	3,219
	Materials and supplies	**620**	658
	Prepaid insurance and other assets	**300**	286
	Total current assets	**21,809**	22,703
Restricted assets (Note 3)	Cash and short-term investments:		
	Capital outlay	**3,775**	2,072
	Bond interest and redemption	**1,734**	2,585
	Lessee deposits held in trust	**608**	544
	Total restricted assets	**6,117**	5,201
Property, plant, and equipment (Note 2)	Net:	**169,889**	168,912
TOTAL		**$197,815**	$196,816
LIABILITIES AND EQUITY			
Current liabilities (Note 3)	Accrued liabilities	**$ 5,287**	$ 4,554
	Current maturities of bonded debt	**3,495**	7,499
	Accrued bond interest payable	**326**	545
	Other	**145**	293
	Total current liabilities	**9,253**	12,891
Current liabilities payable from restricted assets	Lessee deposits	**608**	544
Deferred rentals (Note 2)		**10,263**	11,069
Bonded debt (Note 3)	Less current maturities	**54,505**	58,000
Total liabilities		**74,629**	82,504
Equity	Contributions in aid of construction	**15,208**	15,066
	Revaluation of property	**56,063**	56,063
	Retained earnings	**51,915**	43,183
	Total equity	**123,186**	114,312
TOTAL		**$197,815**	$196,816

See notes to financial statements.

STATEMENTS OF INCOME

For the years ended June 30, 1984 and 1983 (In thousands)

		1984	1983
Operating revenues	Property rentals (Note 4)	**$18,746**	$16,076
	Wharfage, dockage, and demurrage	**6,567**	7,514
	Commercial power	**1,440**	2,054
	Other	**868**	716
	Total operating revenues	**27,621**	26,360
Operating expenses	Operations	**4,725**	6,977
	Maintenance	**8,404**	7,381
	Depreciation and amortization	**3,277**	3,125
	Commercial power	**1,152**	1,622
	Fire boat operations	**967**	862
	Total operating expenses	**18,525**	19,967
Operating income		**9,096**	6,393
Interest income		**2,839**	3,442
Interest expense		**(3,203)**	(3,516)
Net income		**$ 8,732**	$ 6,319

STATEMENTS OF EQUITY

For the years ended June 30, 1984 and 1983 (In thousands)

	Total equity	Contributions in aid of construction	Revaluation of property	Retained earnings
Balance at June 30, 1982	$107,538	$14,611	$56,063	$36,864
Net income	6,319			6,319
Federal government grants	455	455		
Balance at June 30, 1983	114,312	15,066	56,063	43,183
Net income	8,732			8,732
Donated property and Federal government grants	142	142		
Balance at June 30, 1984	$123,186	$15,208	$56,063	$51,915

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended June 30, 1984 and 1983 (In thousands)

		1984	1983
Sources of funds	Operations:		
	Net income	**$ 8,732**	$ 6,319
	Expenses not using working capital—depreciation and amortization	**3,277**	3,125
	Revenue not providing working capital—recognition of deferred revenue	**(806)**	(293)
	Total from operations	**11,203**	9,151
	Donated property and Federal government grants	**142**	455
	Increase (decrease) in liabilities payable from restricted assets	**64**	(17)
	Additions to deferred revenue		9,900
	Retirement of property	**62**	
	Total	**11,471**	19,489
Uses of funds	Increase in restricted assets	**916**	16
	Acquisition of property, plant, and equipment (Note 2)	**4,316**	13,589
	Reduction of noncurrent bonded debt	**3,495**	3,499
	Total	**8,727**	17,104
Increase in working capital		**$ 2,744**	$2,385
Working capital increase (decrease) by component	Cash	**$(1,750)**	$4,685
	Accounts receivable	**880**	197
	Materials and supplies	**(38)**	130
	Prepaid insurance and other assets	**14**	(6)
	Accrued liabilities	**(733)**	892
	Current maturities of bonded debt	**4,004**	(3,605)
	Accrued bond interest payable	**219**	(206)
	Other	**148**	298
Increase in working capital		**$2,744**	$2,385

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization—The Port of San Francisco (Port) is an enterprise fund of the City and County of San Francisco (City).

Prior to February 1969 the Port was owned by the State of California (State) and administered by the San Francisco Port Authority, a State agency. In February 1969 the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 (Burton Act), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

Lease revenue from the rental of building spaces, ground areas, and facilities is accounted for under the "operating method". Under this method, lease revenue is earned as it becomes due and related expenses are recognized as incurred.

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost (approximates first-in, first-out cost).

Property, plant, and equipment—Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000 recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Land acquired after February 1969 and land improvements are stated at cost. Land improvements (principally pavement and railroad tracks) with a cost of approximately $17,000,000 are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Other property, plant, and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Recoveries of previously written-off accounts receivable are credited against current year operating expenses. Operations expenses of $4,725,000 in 1984 are net of $735,000 of such recoveries.

NOTE 2. PROPERTY, PLANT, AND EQUIPMENT

At June 30, 1984 and 1983 property, plant, and equipment consisted of (in thousands):

	1984	1983	Estimated Useful Life (Years)
Land and land improvements	**$114,734**	$114,754	
Buildings, structures, and related improvements	**123,642**	118,853	10-50
Equipment	**3,609**	3,326	5-40
Total	**241,985**	236,933	
Less depreciation and amortization	**(73,900)**	(71,529)	
Net	**168,085**	165,404	
Construction work in progress	**1,804**	3,508	
Total	**$169,889**	$168,912	

The cost of fully depreciated assets still in use was approximately $38,000,000 and $36,000,000 at June 30, 1984 and 1983, respectively.

During 1983 the Port acquired land, subject to a thirty-year lease, on the condition that the Port not exercise its option to acquire such property outright. The $9,900,000 property value received has been included in land and deferred rentals. The deferred rentals related to this land, $9,390,000 at June 30, 1984, are being recognized as rental revenue over the thirty-year lease term.

NOTE 3. BONDED DEBT

At June 30, 1984 and 1983 bonded debt consisted of (in thousands):		Interest Rate	Fiscal Year Last Series Matures	**Balance 1984**	Balance 1983
General obligation bonds:	State of California:				
	India Basin 1909	4.0%	1985	**$ 3**	$ 17
	Second Seawall 1909	4.0	1985	**97**	212
	Third Seawall 1913	4.0	1989	**645**	780
	Fifth Seawall 1958, Series A, B, F, G, & H	1.0-5.5	1999	**16,980**	18,615
	City and County of San Francisco—Harbor Improvement 1971:				
	Series A	4.5-6.0	2003	**15,200**	16,000
	Series B	5.4-6.75	2005	**8,400**	8,800
	Series C	7.0	1983		4,000
Total general obligation bonds				**$41,325**	$48,424
Revenue bonds:	Series A 1969	7.0-8.5	1999	**9,400**	9,600
	Series B 1971	5.25-6.75	2001	**7,275**	7,475
Total revenue bonds				**16,675**	17,075
Total bonded debt				**58,000**	65,499
Less current maturities				**3,495**	7,499
Total long term bonded debt				**$54,505**	$58,000

The bonds mature as follows (in thousands):

Year ending June 30:	State of California	City and County of San Francisco	Revenue Bonds	**Total**
1985	$ 1,870	$ 1,200	$ 425	**$ 3,495**
1986	1,770	1,200	550	**3,520**
1987	1,770	1,200	575	**3,545**
1988	1,770	1,200	675	**3,645**
1989	1,740	1,200	700	**3,640**
1990-94	5,860	6,000	3,775	**15,635**
Thereafter	2,945	11,600	9,975	**24,520**
Total	$17,725	$23,600	$16,675	**$58,000**

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the ensuing twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested.

Under the terms of the revenue bond covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At June 30, 1984 and 1983 restricted capital outlay funds included unexpended fire insurance proceeds of $565,000 remaining from the Piers 37 and 40 fires.

NOTE 4. OPERATING REVENUES—PROPERTY RENTALS

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows (in thousands):

	1984	1983
Minimum rentals	**$15,620**	$12,554
Percentage rentals	**3,126**	3,522
Total	**$18,746**	$16,076

Minimum future rent income under noncancelable operating leases having terms in excess of one year are as follows (in thousands):

Year ending June 30:	
1985	$ 5,813
1986	5,715
1987	5,605
1988	5,753
1989	5,626
Thereafter	128,949
Total	$157,461

Property subject to operating leases and property held for lease at June 30, 1984 consisted of (in thousands):

Land and land improvements	$28,080
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $44,007)	9,728
Total	$37,808

NOTE 5. PENSION PLANS

The Port participates in the State of California Public Employees' Retirement System and the City and County of San Francisco Employees' Retirement System. These are contributory plans providing retirement, disability, and death benefits for substantially all permanent employees.

Pension costs, including amortization of prior service costs, are charged to expense and funded annually. Such expenses were $823,000 for 1984 and $931,000 for 1983.

Employer contribution rates are established based on actuarial valuations which consider both unfunded past service costs and current costs. The City determines contribution rates for each fund based on employee payroll.

The plans' assets, liabilities, and benefits are not allocated to individual entities within the City.

NOTE 6. PIER 30 AND PIER 32 FIRE

In May 1984 a fire destroyed the buildings on Piers 30 and 32. The Port has filed a claim with its insurance carrier and anticipates full recovery of the expected replacement value, which significantly exceeds the carrying value of the destroyed facilities. As further discussed in Note 3, the insurance proceeds may be used for reconstruction of the buildings or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of certain bonds.

NOTE 7. PROPOSED CALIFORNIA CONSTITUTIONAL AMENDMENT

A proposed constitutional amendment sponsored by Howard Jarvis has qualified for the State of California's November 1984 ballot and will appear as Proposition 36 on that ballot. This initiative would limit, among other things, increases in fees charged by local governmental entities to the increase in the Consumer Price Index. It would also restrict the imposition of fees to pay for pension liabilities or indirect costs. Although Port management believes that it is not likely that passage of this initiative would have a material effect on the Port's financial position or results of operations, the Port may be required to refund up to $1,000,000 should this initiative pass.

NOTE 8. COMMITMENTS AND CONTINGENT LIABILITIES

The Port is presently planning various development projects which may commit it to expend significant capital funds. In addition to the use of existing capital outlay funds, the Port may seek additional financing or refinancing to meet these commitments.

Under a Management Advisory Contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancelable by Port Railroad, Inc. with nine months' written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. A substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. However, in the opinion of counsel, the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include an accrual for the aggregate amount of deductibles under applicable insurance policies. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

INDEPENDENT AUDITORS' OPINION

The Honorable John C. Farrell, Controller,
City and County of San Francisco:

We have examined the balance sheets of the Port Commission, City and County of San Francisco, Port of San Francisco (Port) as of June 30, 1984 and 1983 and the related statements of income, equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Port at June 30, 1984 and 1983 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

Deloitte Haskins & Sells
October 1, 1984

The San Francisco Port Commission

From left to right standing: James J. Rudden, Vice President, Gordon Lau. Sitting: Anne Halsted, Dr. Arthur H. Coleman, President, James R. Herman.

Design & Art Direction: Louise Riswold Design
Photography: Sharon Beals
Printing: Graphic Center

PORT OF SAN FRANCISCO
Ferry Building
San Francisco, California 94111
Telephone 415/391-8000
Telex 467560

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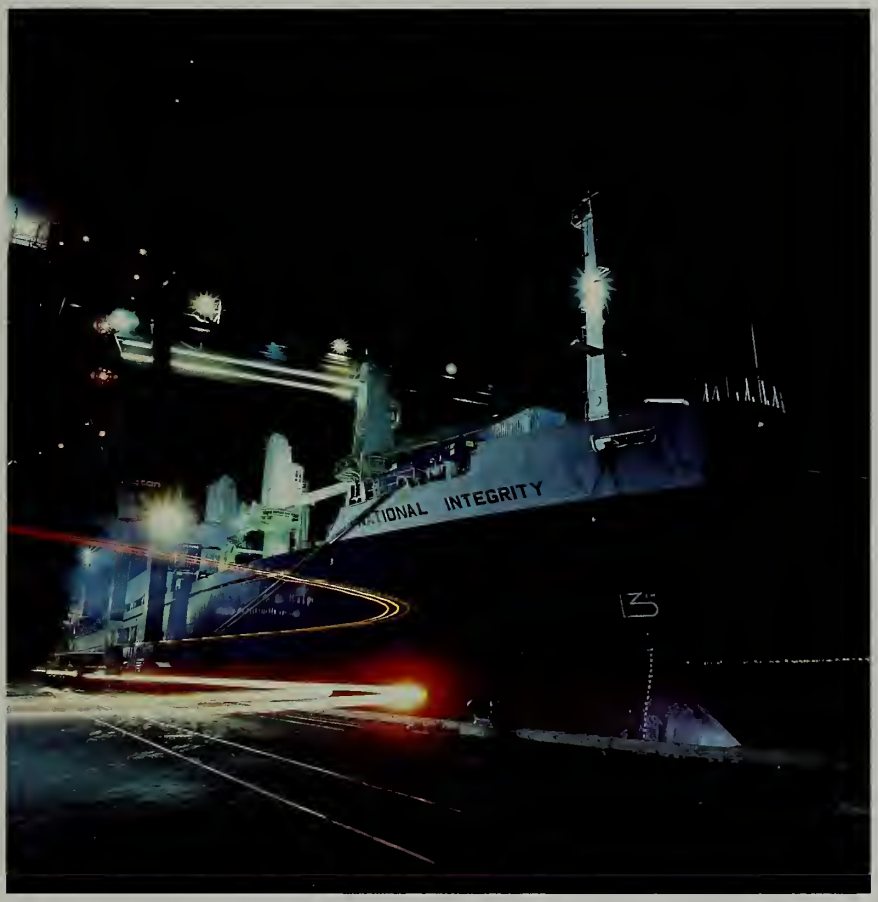
Port of San Francisco



Annual Report

1 9 8 5

The Port of San Francisco is thriving! In the past year new shipping contracts have been signed with Independence Line and Nedlloyd Lines—and we're very optimistic about being able to attract still more liner shipping to the Port.

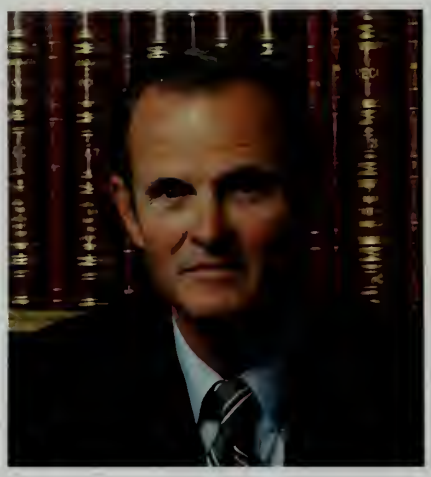
All the numbers look good: overall tonnage is up 44 percent this year over last; container movements are up 64 percent; Pacific container trade has increased 77 percent; rail movements are up 87 percent, and total maritime revenues have risen 22 percent.

What's more, engineering plans for the container terminals and the intermodal transfer facility at the Port also were completed and approved—accomplishments made possible by the voters' approval last November of a $42.5-million Port maritime bond issue.

The bottom line is that the Port of San Francisco is growing, modernizing and becoming increasingly competitive. We realize that we are now well into what experts are calling "the century of the Pacific," and we're doing everything possible to share in the trade and business that accompany it.

I'm proud of the progress the Port has made in the past few years, and I'm completely committed to working with its managers to make it one of the finest ports on the West Coast.

Dianne Feinstein
Mayor



In last year's annual report I stated that income growth could not continue without expansion, improvement and modernization of our facilities. In November 1984, that view was firmly endorsed by the voters of San Francisco when, by a vote of three to one, they approved the issuance of $42.5 million in revenue bonds for expansion and improvements. A major part of this modernization focused on our container facilities and the Intermodal Container Transfer Facility (ICTF), which should be completed during fiscal 1986–87.

The success of actions taken over the last two fiscal years has become visible in the growth of our container throughput, which has risen 64 percent this year. This increase resulted from determined efforts to work with our tenants on a regular basis. A reputation for following through on promises has attracted many new lines to the Port. In addition, confidence in the future has generated interest in doing business in "The City."

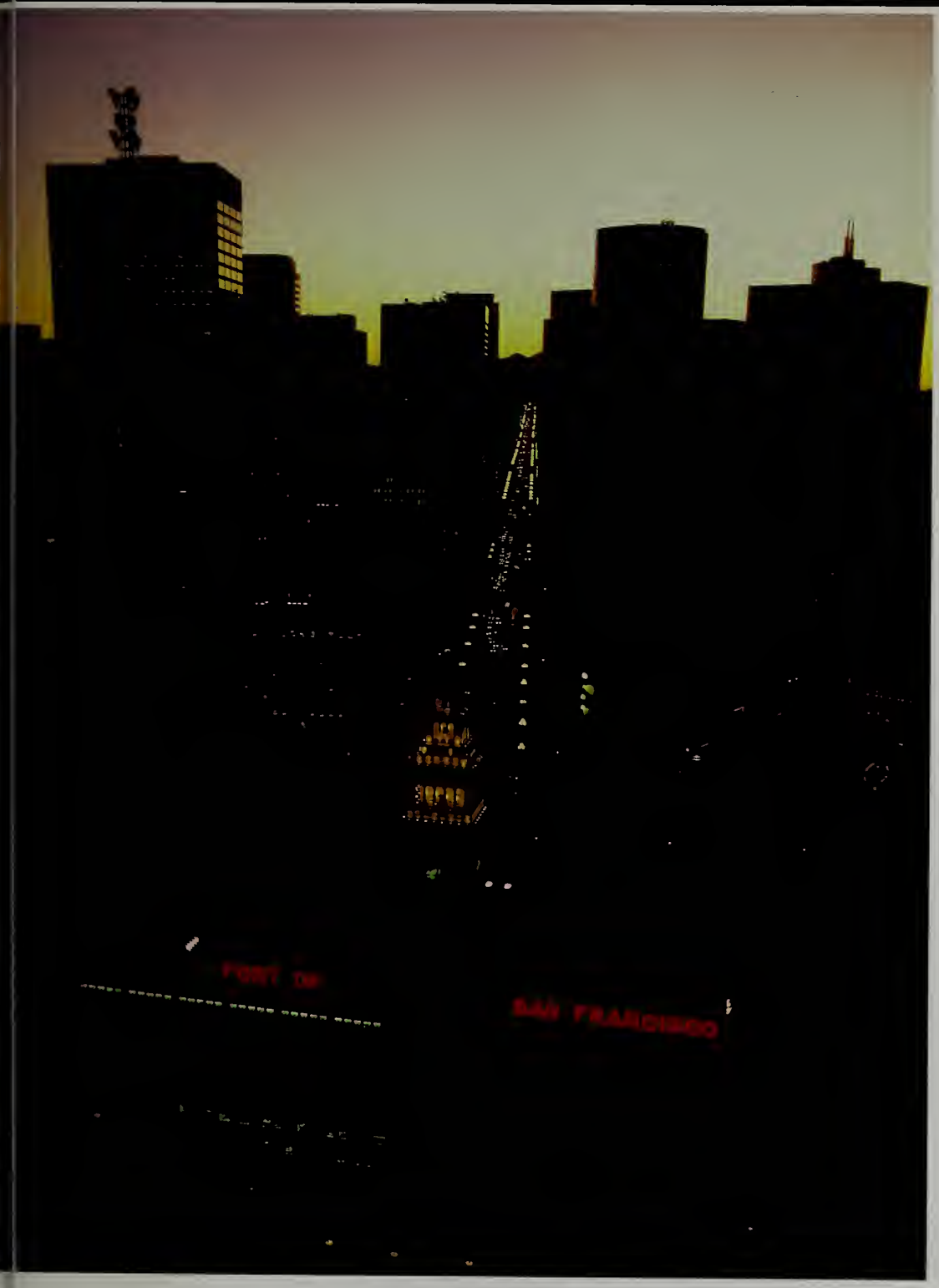
In non-maritime activities, property development is proceeding as planned. Bulkhead buildings at Piers 1½, 3 and 5, which will become office/public use complexes, are under contract and work is in progress. The breakwater at Fisherman's Wharf is under construction and due for completion in December 1986. Development of Pier 45 into hotel/public use facilities is in the bid stage; a contract should be awarded within the next few months.

In fiscal 1984–85, Port revenues continued to rise but at a slower rate, primarily due to debt service on our revenue bond and a large, unanticipated increase in insurance premiums (reflected throughout the insurance industry). Nevertheless, the Port's finances are in excellent condition, and we look forward to continued growth in years ahead.

This coming year promises to be an exciting one for us, since the public will be able to see concrete results of the Port's expansion and improvement projects.

Eugene L. Gartland

Eugene L. Gartland
Executive Director



The Port of San Francisco is "on a roll." Maritime activities have increased significantly in every area. Development of commercial properties to attract offices and recreational activities is well underway. The decade of the '80s promises to underscore San Francisco's standing as a maritime leader.

Maritime

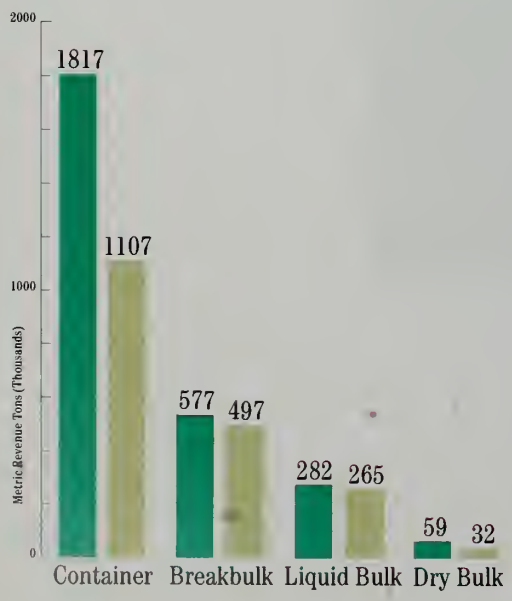
Fiscal 1984–85 was an outstanding year for the Port of San Francisco.

San Francisco's Bay Area market share for cargo-handling rose 15 percent. Final figures for the year ending June 30, 1985 show a total tonnage of 2,735,000 metric tons, compared to 1,901,000 in 1984—an increase of 44 percent.

Growth occurred in all modes, but the major gain was in container cargo, which registered a 64 percent increase. Break-bulk cargo increased 16 percent and bulk cargo, 15 percent.

The addition of two new shipping lines, Independence and Nedlloyd; the expanded service of two of the Port's largest volume carriers, Evergreen Line and Lykes Lines, and the significant growth of cargo volume handled by Marine Terminals Corporation at Piers 27–29 contributed to this positive picture. The Port of San Francisco, however, stimulated this growth 1) by initiating a new type of terminal use agreement with carriers that contains a built-in cargo incentive, 2) by implementing an aggressive marketing program, and 3) by modernizing its facilities.

Tonnage by Mode



The Port's new Intermodal Container Transfer Facility (ICTF), which permits on-dock transfer of cargo from ship to rail, played a significant role in increasing container cargo tonnage by 64 %. The on-dock rail service is the first of its kind in California.

Container Cargo

Container cargo totaled 1,816,000 metric revenue tons, up 64 percent. While new and expanded shipping lines played an important role in this growth, a significant increase can be attributed to the opening of the Port's new on-dock rail service (ICTF), which contributed in bringing about an 87 percent increase in intermodal container rail cargo.

Opened in October 1984, the Intermodal Container Transfer Facility (ICTF) is the only on-dock facility in California. It allows for the direct transfer of intermodal container cargo between ship and rail. Having the capability to provide this cost-effective and efficient intermodal service has allowed the Port to participate in this growing area of the cargo market and to remain cost competitive with other ports. The present ICTF will be replaced with a larger facility in 1986.

Breakbulk Cargo

Although traditional breakbulk cargo is declining due to the trend toward containerization, the import of newsprint and automobiles has offset this loss. Breakbulk tonnage rose to 577,000 metric tons, up 16 percent over last year. More than 227,000 tons of newsprint were handled at the Port's three newsprint terminals, located at Pier 48—Forest Terminals; Piers 15–17—Star Terminals, and Piers 27–29—Marine Terminals Corporation. Also, the importation of luxury European automobiles, handled by Wallenius Lines at Pier 70, continued to grow.

Bulk Cargo

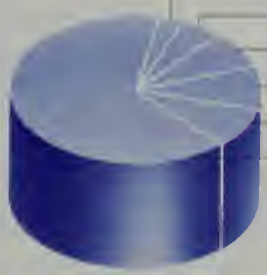
The strong fishmeal market, from which natural fertilizers are made, accounted for the 15 percent growth in bulk cargo and offset declines in most other bulk commodities at the Port.

The other major dry bulk commodities handled at Piers 90 and 92 are grains.

At Piers 84 and 92, the Port also handles liquid bulk cargo, primarily imported coconut oil and petroleum and exported cottonseed oil and tallow.

All modes of cargo handling registered significant gains at the Port of San Francisco in 1985. Container cargo rose by 64%; breakbulk cargo increased 16%, and bulk cargo went up by 15%.

Percentage of General Cargo by Trade Route
Total Fiscal Year 1985



The modernized passenger terminal at Pier 35 handled nearly 100,000 travelers in fiscal 1985—more than double the number of passengers in fiscal 1981. San Francisco is a popular point of entry/departure for luxury cruise lines, which themselves are enjoying a boom in business.

Ship Repair

Ship-berth-days increased 91 percent over last year, due to the strong efforts of the City of San Francisco to promote the Port as a Navy ship repair center. The Bay Area Ship Repair Association (BASRA) reinforced the City's efforts to attract more Navy business to San Francisco.

Trade Routes

Transpacific is the dominant trade route for the Port of San Francisco, accounting for 1,427,000 metric revenue tons, or 63 percent of all general cargo and 75 percent of container cargo. In fiscal 1985, transpacific tonnage increased 101 percent.

route grew by 152 percent, due to increased calls from United Yugoslav Line and increased automobile imports on Wallenius Line.

Import/Export

The import/export balance remained virtually unchanged over the last two years with a 50/50 split on total cargo

Passenger Ships

The cruise market continues to grow at the Port of San Francisco, as it has over the last four years. Passenger levels increased by a healthy 11 percent and ship calls by 4 percent, indicating that the size of liners has increased and more ships are sailing at capacity. The Port's modern Pier 35 passenger terminal handled 92,753 travelers who were leaving and returning from Alaska, Mexico, the Panama Canal and South America. An additional 5,000 passengers passed through the terminal on round-the-world and extended cruises. Total vessel calls, counted as round trips, came to 122—an unprecedented level.

Taiwan and Japan are the major transpacific trading partners. The Port anticipates significant trade growth from the People's Republic of China in the coming year due to the establishment of trade offices in San Francisco by major foreign trade organizations.

The second largest trade route, accounting for 11 percent of general cargo, is coastwise with Canada. The main commodity is newsprint. Latin America follows with 8 percent of tonnage. Increases over the past year have been 34 percent and 25 percent, respectively.

Although Europe accounted for 7 percent of the tonnage in 1985, compared to 4 percent in 1984, this trade

and a 44-to-56 percentage ratio of import to export for containerized cargo.

At the Port of San Francisco, paper and newsprint, coffee and coffee extracts, hardware, meat and meat products lead the list of general cargo imports. In terms of dollar value, automatic data processing machinery and automobiles are also part of the top group.

Based on tonnage, leading export commodities include waste paper, synthetic resins, scrap metal and cotton. Calculated by dollar value, vehicle parts move to the top of the list, with construction machinery and synthetic organic pesticides replacing waste paper and scrap metals.

Commercial

For fiscal year 1984–85, commercial operations revenues were $15,665,000, representing 54 percent of the Port's total operating revenue. Rentals increased 7.9 percent over last year.

In fiscal 1985 yet another part of the commercial property development program was completed. The historic Belt Railroad Roundhouse was converted into a 42,000-square-foot commercial complex. Office and retail tenants took occupancy during the year.

In the area of Finance and Administration, two major achievements were particularly noteworthy. First was the successful sale of $42.5 million in revenue bonds for continued expansion and improvement of Port facilities. This was the first major bond sale since 1971. Second, Standard & Poors upgraded the rating of Port bonds from BBB to A–. Moodys, which previously had not rated Port bonds, issued an A1 rating. These signs confirm that the outlook for the Port of San Francisco remains positive.

Adaptive restoration of the Belt Railroad Roundhouse complex, located near Piers 27–29, was completed in 1985. Office and retail tenants now occupy the 42,000-square-feet facilities. Built in 1913, the Roundhouse was recently designated a national landmark.

The San Francisco Port Commission

From left to right standing: Dr. Arthur H. Coleman, President, James J. Rudden, Vice President. Sitting: Anne Halsted, James R. Herman, Gordon Lau.

Independent Auditor's Opinion

The Honorable John C. Farrell, Controller,
City and County of San Francisco:

We have examined the balance sheets of the Port Commission, City and County of San Francisco, Port of San Francisco (Port) as of June 30, 1985 and 1984 and the related statements of income, equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Port at June 30, 1985 and 1984 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

Deloitte Haskins & Sells
October 2, 1985

Balance Sheets

As of June 30, 1985 and 1984 (In thousands)

	Notes	1985	1984
Assets			
Current Assets:			
Cash, principally in City Treasury—Port operating fund		$ 20,112	$ 16,790
Accounts receivable (less allowance for doubtful accounts: 1985, $1,733; 1984, $1,817)		4,497	4,099
Materials and supplies		580	620
Prepaid insurance and other assets		849	300
Total current assets		26,038	21,809
Restricted Assets:	3		
Cash and short-term investments:			
Capital outlay		36,570	3,775
Bond interest and redemption		8,021	1,734
Lessee deposits held in trust		873	608
Total restricted assets		45,464	6,117
Property, Plant, and Equipment—Net	2	171,111	169,889
Total		***$242,613***	***$197,815***
Liabilities and Equity			
Current Liabilities:			
Accounts payable and accrued liabilities		$ 7,588	$ 5,432
Current maturities of bonded debt	3	3,520	3,495
Accrued bond interest payable		214	326
Total current liabilities		11,322	9,253
Current Liabilities Payable From Restricted Assets—Lessee deposits		873	608
Deferred Rentals	2	9,769	10,263
Bonded Debt—Less current maturities	3	91,632	54,505
Total Liabilities		113,596	74,629
Equity:			
Contributions in aid of construction		15,208	15,208
Revaluation of property		56,063	56,063
Retained earnings		57,746	51,915
Total equity		129,017	123,186
Total		***$242,613***	***$197,815***

See notes to financial statements.

Statements of Income and Equity

For the years ended June 30, 1985 and 1984 (In thousands)

Statements of Income	*Notes*	*1985*	*1984*
Operating Revenues:			
Property rentals—commercial	4	$14,458	$14,376
Property rentals—maritime	4	4,878	4,370
Wharfage, dockage, and demurrage		7,789	6,567
Commercial power		1,207	1,440
Other		789	868
Total operating revenues		29,121	27,621
Operating Expenses:			
Operations	1	7,555	4,725
Maintenance		10,296	8,404
Depreciation and amortization		3,824	3,277
Commercial power		965	1,152
Fire boat operations		1,013	967
Total operating expenses		23,653	18,525
Operating Income		5,468	9,096
Interest Income		3,365	2,839
Interest Expense		(3,002)	(3,203)
Net Income		***$ 5,831***	***$ 8,732***

Statements of Equity	*Total equity*	*Contributions in aid of construction*	*Revaluation of property*	*Retained earnings*
Balance at June 30, 1983	$114,312	$15,066	$56,063	$43,183
Net income	8,732			8,732
Donated property and Federal government grants	142	142		
Balance at June 30, 1984	123,186	15,208	56,063	51,915
Net income	5,831			5,831
Balance at June 30, 1985	***$129,017***	***$15,208***	***$56,063***	***$57,746***

See notes to financial statements.

Statements of Changes in Financial Position

For the years ended June 30, 1985 and 1984 (In thousands)

	1985	*1984*
Sources of Funds:		
Operations:		
Net income	$ 5,831	$ 8,732
Expenses not using working capital—depreciation and amortization	3,884	3,277
Revenue not providing working capital—recognition of deferred revenue	(494)	(806)
Total from operations	9,221	11,203
Net proceeds of bond issuance	40,587	
Donated property and Federal government grants		142
Increase in liabilities payable from restricted assets	265	64
Retirement of property		62
Total	50,073	11,471
Uses of Funds:		
Increase in restricted assets	39,347	916
Acquisition of property, plant, and equipment	5,046	4,316
Reduction of noncurrent bonded debt	3,520	3,495
Total	47,913	8,727
Increase in Working Capital	***$ 2,160***	***$ 2,744***
Working Capital Increase (Decreased) by Component		
Cash	$ 3,322	$ (1,750)
Accounts receivable	398	880
Materials and supplies	(40)	(38)
Prepaid insurance and other assets	549	14
Accounts payable and accrued liabilities	(2,156)	(585)
Current maturities of bonded debt	(25)	4,004
Accrued bond interest payable	112	219
Increase in Working Capital	***$ 2,160***	***$ 2,744***

See notes to financial statements.

Notes to Financial Statements

1. Significant Accounting Policies

Organization —The Port of San Francisco (Port) is an enterprise fund of the City and County of San Francisco (City). A five-member Port Commission is responsible for its operation, development, and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the financial statements prepared by the City.

Prior to February 1969 the Port was owned by the State of California (State) and administered by the San Francisco Port Authority, a State agency. In February 1969 the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 (Burton Act), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

Lease revenue from the rental of building spaces, ground areas, and facilities is accounted for under the "operating method." Under this method, lease revenue is earned as it becomes due and related expenses are recognized as incurred.

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost (approximates first-in, first-out cost).

Property, plant, and equipment —Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000 recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Land acquired after February 1969 and land improvements are stated at cost. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18,000,000 are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such borrowings is capitalized from the date of borrowing through the construction period. Total interest cost was $5,194,000 for fiscal 1985 of which $2,192,000 was capitalized. Total interest earned was $5,557,000 of which $2,192,000 was capitalized.

Other property, plant, and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Recoveries of previously written-off accounts receivable are credited against current year operating expenses. Operations expenses of $4,725,000 in 1984 are net of $1,050,000 of such recoveries.

2. Property, Plant, and Equipment

At June 30, 1985 and 1984 property, plant, and equipment consisted of:

	1985	1984	Estimated Useful Life (Years)
	(In thousands)		
Land and land improvements	$115,756	$114,734	
Buildings, structures, and related improvements	127,254	123,642	10–50
Equipment	4,066	3,609	5–40
Total	247,076	241,985	
Less depreciation and amortization	(77,669)	(73,900)	
Net	169,407	168,085	
Construction work in progress	1,704	1,804	
Total	$171,111	$169,889	

The cost of fully depreciated assets still in use was approximately $42,000,000 and $38,000,000 at June 30, 1985 and 1984, respectively.

During 1983 the Port acquired land, subject to a thirty-year tenant lease, on the condition that the Port not exercise its option to take possession of such property outright. The $9,900,000 property value received has been included in land and deferred rentals. The deferred rentals related to this land, $9,060,000 at June 30, 1985, are being recognized as rental revenue over the thirty-year lease term.

3. Bonded Debt

At June 30, 1985 and 1984 bonded debt consisted of:

	Interest Rate	*Fiscal Year Last Series Matures*	*Balance 1985*	*Balance 1984*
			(In thousands)	
General obligation bonds:				
State of California:				
India Basin 1909	4.0%	1985		$ 3
Second Seawall 1909	4.0	1985		97
Third Seawall 1913	4.0	1989	$ 510	645
Fifth Seawall 1958, Series A, B, F, G, and H	1.0–5.5	1999	15,345	16,980
City and County of San Francisco—Harbor Improvement 1971:				
Series A	4.5–6.0	2003	14,400	15,200
Series B	5.4–6.75	2005	8,000	8,400
Total general obligation bonds			38,255	41,325
Revenue bonds:				
Series A 1969	7.0–8.5	1999	9,200	9,400
Series B 1971	5.25–6.75	2001	7,050	7,275
Series C 1984	9.5–11.5	2009	42,500	
Total revenue bonds			58,750	16,675
Total bonded debt			97,005	58,000
Less:				
Current maturities			3,520	3,495
Unamortized discount—Revenue Bond Series C			1,853	
Total long term bonded debt			***$91,632***	***$54,505***

The bonds mature as follows:

	State of California	*City and County of San Francisco*	*Revenue Bonds*	*Total*
		(In thousands)		
Year Ending June 30:				
1986	$ 1,770	$ 1,200	$ 550	$ 3,520
1987	1,770	1,200	665	3,635
1988	1,770	1,200	760	3,730
1989	1,740	1,200	880	3,820
1990	1,635	1,200	1,065	3,900
1991–1995	5,270	6,000	8,900	20,170
Thereafter	1,900	10,400	45,930	58,230
Total	***$15,855***	***$22,400***	***$58,750***	***$97,005***

In December 1984 the Port issued revenue bonds of $42,500,000 to finance various capital projects, primarily improvements at Pier 80 and the construction of an Intermodal Container Transfer Yard at Pier 96. The Series C revenue bonds are on a parity with all other revenue bonds issued by the Port.

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested.

Under the terms of the revenue bond covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At June 30, 1985 and 1984 restricted capital outlay funds included unexpended fire insurance proceeds of $926,000 and $680,000, respectively.

4. Operating Revenues—Property Rentals

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows (in thousands):

	1985	*1984*
Minimum rentals	$16,232	$15,620
Percentage rentals	3,104	3,126
Total	***$19,336***	***$18,746***

Minimum future rent income under noncancelable operating leases having terms in excess of one year are as follows (in thousands):

Year ending June 30:	
1986	$ 5,479
1987	5,368
1988	5,517
1989	5,356
1990	5,094
Thereafter	128,033
Total	***$154,847***

Property subject to operating leases and property held for lease at June 30, 1985 consisted of (in thousands):

Land and land improvements	$28,080
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $45,552)	8,448
Total	***$36,528***

5. Pension Plans

The City has a defined benefit retirement plan which is administered by the San Francisco City and County Employees' Retirement System (City Retirement System). The majority of full-time employees of the Port participate in this plan along with other employees of the City. Certain employees who commenced their employment at the Port prior to February 1969, participate in the State of California Public Employees' Retirement System (PERS). These plans provide death, disability and service retirement benefits. Benefits are based on average final compensation, years of service and limited required cost-of-living increases.

The pension plans are financed primarily by: (a) employer contributions which include contributions from the Port; (b) employee contributions; and (c) income from investments. Employer contribution rates are established by the City Retirement System and PERS, based on actuarial valuations which consider both unfunded past service costs and current costs and are designed to amortize past service costs through the year 2000. Contributions included in operating expenses were approximately $1,431,000 and $1,298,000 for fiscal 1985 and 1984, respectively. The plans' assets, liabilities, and benefits are not allocated to the Port.

6. Related Party Transactions

The City performs certain administrative services such as cash disbursements and investment for all funds groups within the City. The Port is charged for these services based upon the City's indirect cost allocation plan. Other City departments, primarily the fire department and the City Attorney's Office, provide certain services which are charged directly to the Port. The cost of these services, included as operating expenses in the statements of income, was approximately $1,755,000 in 1985 and $1,572,000 in 1984.

7. Pier 30 and Pier 32 Fire

In May 1984 a fire destroyed the buildings on Piers 30 and 32. The Port has filed a claim with its insurance carriers and received $250,000 in 1985. The Port is negotiating with the principal insurance carrier for a cash settlement based on the expected replacement value, which significantly exceeds the carrying value of the destroyed facilities. As further discussed in Note 3, the insurance proceeds may be used for reconstruction of the buildings or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of certain bonds.

8. Commitments and Contingent Liabilities

The Port is presently planning various development projects which may commit it to expend significant capital funds. In addition to the use of existing capital outlay funds, the Port may seek additional financing or refinancing to meet these commitments. The Port had firm purchase commitments at June 30, 1985 for approximately $1,562,000 for construction, material, and services.

Under a Management Advisory Contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancelable by Port Railroad, Inc. with nine months' written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accident or fire and are covered by insurance. A substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. However, in the opinion of counsel, the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include an accrual for the aggregate amount of deductibles under applicable insurance policies. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

ure Design: Maria Wang Design Studio, Nita Ybarra/Maria Wang
Photography: K.P. Chin
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ation: Adrian Day (Pages 4, 6 & 7)
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Port of San Francisco
Ferry Building
San Francisco, CA 94111
Telephone 415-391-8000
Telex 275940 PSF UR.

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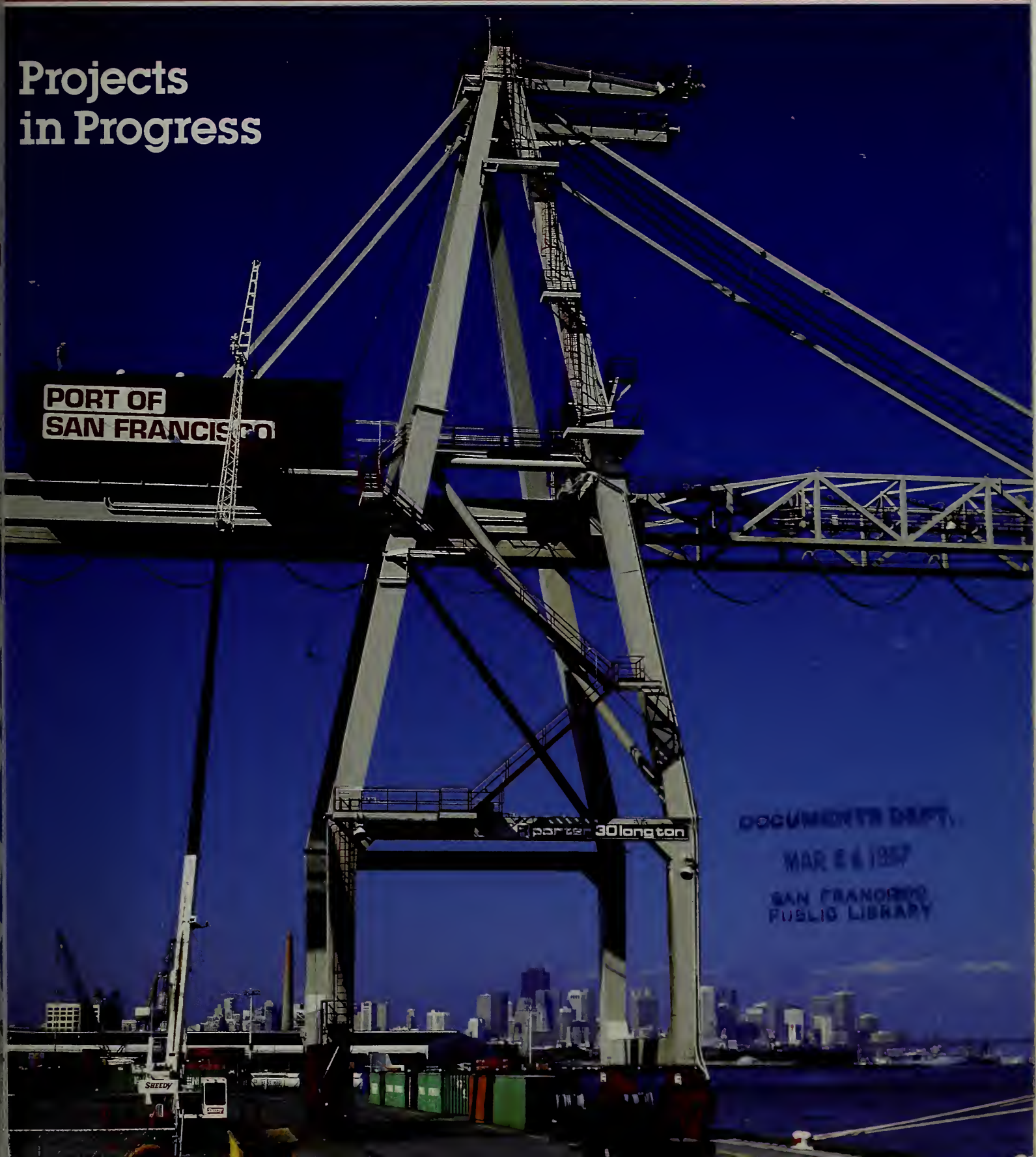
THE PORT OF SAN FRANCISCO

Wharfside

Projects in Progress



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PROJECTS IN

Intermodal Container Transfer Facility (ICTF)

San Francisco's 36-acre, Phase I Intermodal Container Transfer Facility was dedicated in November and immediately christened with a 160-container eastbound intermodal move of Evergreen Line cargo.

Finishing touches to the facility—lighting for nighttime operations and landscaping on the boundary of Cargo Way—have been completed.

The on-dock facility has two loading/unloading tracks with a capacity of 42 standard intermodal railcars or 15 double-stack cars and a throughput capability of 105 railcars per eight-hour shift.

Besides reducing drayage costs, chassis costs and administrative costs, maximum-weight ISO containers can be handled since the on-dock site eliminates travel over city streets. On the initial Evergreen movement, trains were released within twelve hours after vessel discharge, further decreasing transit times to inland points.

Entrance to newly completed ICTF from South Terminal. Gate entrance area (upper right) is now undergoing major expansion.

San Francisco Container Terminals

A final supplemental Environmental Impact Report (EIR), certified by the Planning Commission December 18, clears the way for dredging near San Francisco Container Terminals. The Port proposes to dredge two new channels and a third area adjacent to an existing channel. Dredging will increase the depth to a maximum of -42 feet MLLW, improving both the access of deep-draft vessels to the San Francisco Container Terminal and ship maneuverability and navigational safety under all tidal conditions. Because the shipping lines using the container terminals are bringing in deeper-draft vessels, this dredging is of top priority. Contract for the work has gone out for bid. The work will take approximately 12 weeks.

An improved terminal identification system will be installed in June as part of a city street marking system. Terminal access routes along Third Street and on the freeways will be more clearly identified. Signs will be placed over the entry to South Terminal (similar to the one already installed at North Terminal) to improve terminal access and traffic flow in and out of the facility.

"Port of San Francisco"—the words—was installed on all cranes at both North and South Terminals last fall, making the red and white identification easy to see from the freeway and surrounding area.

South Terminal

A new master plan for South Terminal, under design by Vickerman Zachery Miller, is over 90% completed. The plan allows for a terminal operation by port packer, transtainer or chassis. Design work for placing all utilities underground, a necessity for any of the three types of terminal operations, is in progress and a work contract should go out to bid in April.

PROGRESS

Entry to the terminal has been going through modifications since last August. A sudden growth last summer in container cargo moving through South Terminal caused some delays in truck processing. Immediate measures were taken to alleviate some of the congestion and bring relief to drivers. Three new lanes were added and processing procedure modified. Subsequently, all lanes were spread out and a new terminal circulation pattern was established. But these have been temporary measures until construction of permanent gate improvements could be completed. This construction, awarded to Verrett Construction Company, began in February. The resulting number of lanes, 10 entry lanes and four exit lanes, is double what was available originally. Coupled with this construction is a redesigned operating procedure to substantially increase terminal efficiency.

North Terminal

A development program for North Terminal was initiated last year that would completely modernize the facility and increase its ability to handle the bigger, deeper-draft ships. The project consists of removing some transit sheds, improving the truck entrance gate, installing new cranes, dredging deep berths and better access channels, releveling and paving the container yard and installing an improved fender system.

Most of the items that improve container handling efficiency and contribute to the marketability of the facility have been done. The truck entry gate has been improved, upgraded and computerized. Two transit sheds at the B and C berths have been removed and lighting and electrical work on the new container yard area, gained from their removal, has been completed. The B berths have been deepened to 40 feet and the dredging of 42-foot-deep access channels will start March 2.

Construction of two maritime buildings at the B and C berths providing a lunchroom, recreation area, and bathroom facilities for longshoremen, will start shortly.

South Beach Harbor

South Beach Harbor, part of the Rincon Point-South Beach Redevelopment Project south of Pier 38, was opened in November. The marina offers 680 boat slips ranging in size from 26' to 50', plus a few extra-large slips. Approximately 45% of the berths have been rented. South Beach Harbor is being developed in three phases. Clearing the piers, dredging, building the breakwater, and constructing the berthing system have been completed. Only parking and public access remain to be completed in Phase I, which should be by summer. Phase II consists of improvements to Pier 40 and the construction of harbor support, including a small service center. This will get underway this summer. The final phase, a 6.5-acre public park between Pier 50 and China Basin, will be built following completion of Phase II.

Questions on the marina should be directed to the Harbor Master, Carter Strauch, 495-4911.

Pier 7

Used as an interim parking lot since 1973, Pier 7 will be rebuilt as a public fishing and recreation pier equipped with fish-cleaning tables and bench seating. At 845 feet, this pier will be the longest on the waterfront and offer spectacular views of Yerba Buena and Treasure Island, the Bay Bridge and activity in the shipping lanes offshore. Working drawings for the pier were prepared by ROMA Design Group and with funds now in place, the construction contract will soon go out for bid.

The project is being built in partnership with the City's Recreation and Parks Department and the State Wildlife Conservation Board. Additional funding has been granted by the California State Coastal Conservancy on a matching-funds basis. This is the first time that the Coastal Conservancy has funded a project in San Francisco.

Also partially funded by the Coastal Convervancy is the preparation of a design concept for the Pier 7 entry plaza between the pier itself and the Embarcadero roadway and stretching along the Embarcadero from the Pier 5 bulkhead building to the Waterfront Restaurant. The plaza design is expected to be a prototype for the development of plazas between other bulkhead buildings along the northern waterfront.

Site preparation and pier construction could begin by the end of 1987.

Passenger Terminal – Pier 35

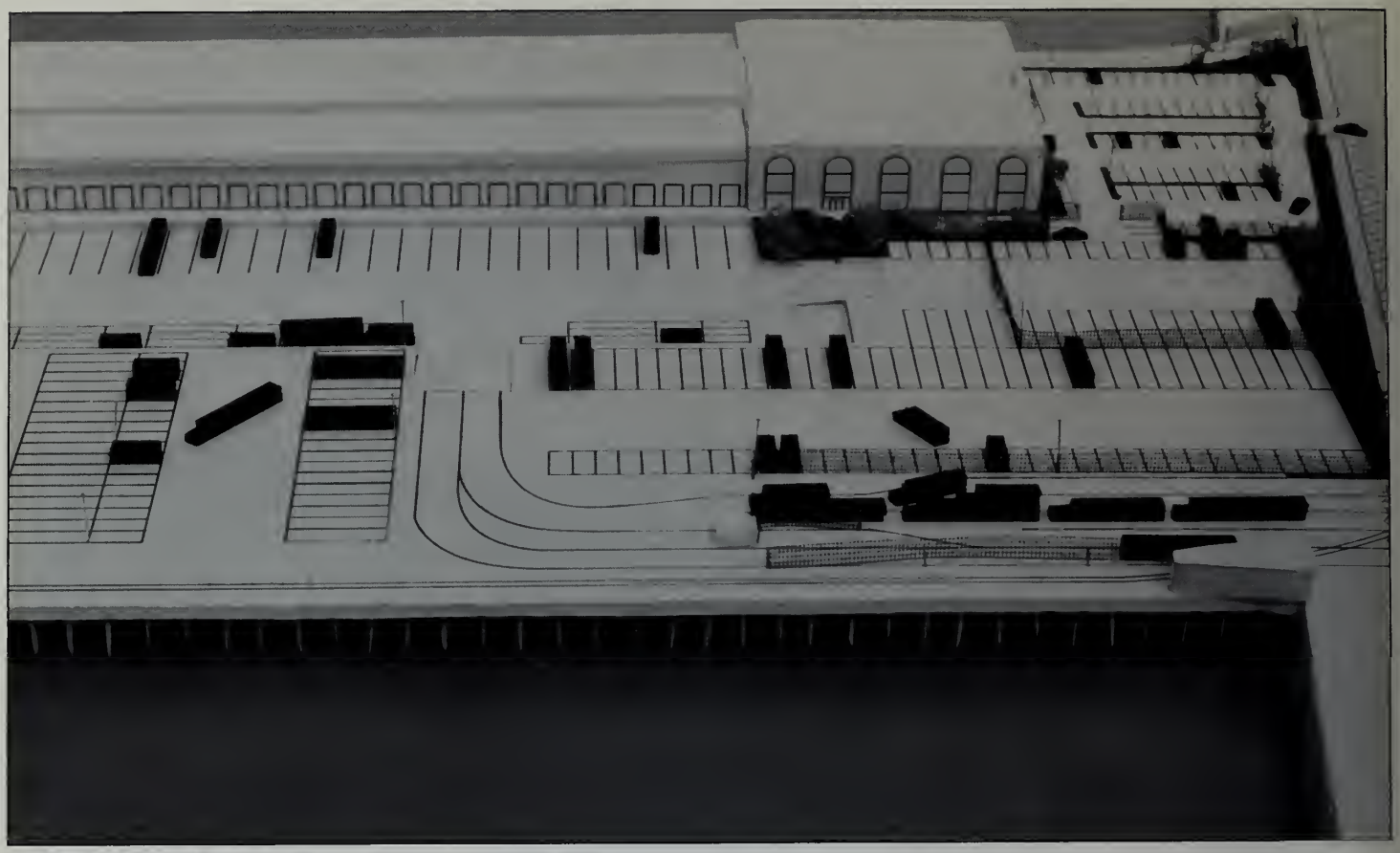
Adequate terminal facilities to accommodate passengers and cruise ships has been under study.

In fiscal year 1985–86, 112,801 passengers embarked or disembarked in San Francisco on one of the 70 cruise ships that called here. Two ships were docked at the terminal at the same time on 15 separate occasions.

The passenger terminal is located at Pier 35, a traditional finger pier on the northern waterfront. In 1981, improvements were made to the passenger and visitor area of the Pier 35 terminal. The introduction of larger-capacity ships and the continued increases in passenger numbers now require further improvements be made to insure a free-moving circulation pattern within the terminal.

A key attraction of the passenger terminal is its location adjacent to Pier 39 and Fisherman's Wharf. Passengers contribute significantly to the economy of these nearby facilities as well as to the economy of the City as a whole. Based on preliminary figures from a recent passenger survey, it is estimated that passengers alone spend $20,000,000 annually in San Francisco before or after a cruise. Add to this the expenditures for goods and services supplied to the ship in port, and the impact can run as high as $70 million per year

The project is moving ahead At its January 28 meeting, the Port Commission established Commission policy reiterating its commitment to the cruise business and confirming its findings that terminal modernization and/or expansion is desirable



Model of Pier 30/32 rehabilitation

The Port staff was instructed to proceed with the recommendations to achieve modernization of the passenger terminal.

Pier 30/32

Jefferson Associates Incorporated has completed the conceptual design of the rehabilitation of Pier 30/32 with final drawings due in May. The project is to replace the facility destroyed by fire in May 1984, with adjustments for current cargo-handling needs.

A 122,000 square-foot warehouse/container freight station/office building has been designed to accommodate important San Francisco commodities such as coffee and cocoa beans, or spices and tea, and would become a central distribution center for these commodities.

Both U.S. Customs and the U.S. Food and Drug Administration have been approached to house their inspection facilities, laboratory, required warehousing, and office support in this building. The Port Commission has authorized staff to proceed with negotiations to relocate FDA in the new Pier 30/32 facility in order to keep the FDA laboratory work in California and the Bay Area.

The Pier 30/32 rehabilitation will also include container-on-chassis storage, container storage, 34 loading-dock truck stalls, and 58 bays. Rail access will be maintained on both south and north pier aprons with vehicular circulation around the entire perimeter of the pier. Three berths will be available for cargo vessels, idle ship berthings and ceremonial purposes.

As part of the Pier 30/32 rehabilitation, a 22,266 square-foot public-access area has been designed by the Port Engineering Department that will extend across the front of the project, adjacent to the Embarcadero. The public access here will consist of a broad sidewalk area along the frontage of the pier area and a waterfront plaza on the apron between Pier 32 and 34. Heavy timber bench seating, a drinking fountain, trash receptacles and street trees will be added.The historic Embarcadero light poles and fixtures will remain. The sidewalk will connect to the South Beach Harbor to the south ... and will connect eventually to an Embarcadero promenade to be built to the north.

Completion of the Pier 30/32 rehabilitation is now scheduled for August 1988.

Pier 45/Hyde Street Pier Joint Project

Four proposals for the mixed-use development of Pier 45 were received by the January deadline and are now under review.

In requesting proposals, the Port asked that the development include a 350 to 500-room hotel, a 40,000 square-foot festival hall with 10,000 square feet of associated outside space available for community events for one-half of the year and a 15,000 square-foot open-space plaza adjoining the Pier entrance at the foot of Taylor Street. Public access will extend around the perimeter of the Pier. In addition, the proposals could include up to 50,000 square feet of office space and a limited amount of hotel-related commercial space. The developers are required to reserve a 60,000 square-foot site for a separately planned institutional use (probably a marine fisheries institute).

The four developers and their hotel management affiliates are: Torrey Enterprises, Inc., La Jolla/Radisson Hotel Group; Embarcadero Investment Corporation, San Francisco/Hyatt Hotels; Melvin Simon & Associates, Inc., Los Angeles/Embassy Suites; and Arcon, Inc., San Francisco and VMS Inc., Chicago, a joint venture/Westin Hotels.

During February, the developers are making presentations to Port staff, City and state agencies, the project advisory committee, press, the general public and the Port Commission.

Key to the project is a minimum lump-sum rent pre-payment by the developer of $5.2 million to be used to help finance new commercial fishing facilities including a new Hyde Street Pier. The Pier 45 and Hyde Street Pier developments are interdependent and will be reviewed and issued permits as a joint project.

Hyde Street Pier will be developed into a

With the completion of breakwater (in foreground), plans and proposals for the development of Pier 45 (left) and Hyde Street Pier (right) are underway

centralized facility devoted to the fishing industry. The project will include off-loading facilities, fish handling and cold storage buildings, fuel dock, ice house, new berthing, fishermen's work areas, gear storage and other industry needs. A study prepared by consultant Carol M. Brown on the requirements of the fishing industry was endorsed by the Port Commission last August and will form the basis for further planning.

A contract with a team of design consultants was approved by the Commission this January to prepare a conceptual facilities and location plan and a financial analysis for Hyde Street Pier, related berthing and potential lease of portions of Fish Alley. The plan will be delivered in May, in time to join with the hotel project. The environmental review is expected to be started in June and the permit process will follow.

January 1989 is the earliest that construction could begin.

Fisherman's Wharf

Construction of the breakwater was completed by the United States Army Corps of Engineers last October (two months ahead of schedule) and dedicated in a civic ceremony alongside the main breakbulk structure.

Installation of lighting throughout the lagoons and power receptacles to boat berths continues.

Pier 39 Aquarium

Groundbreaking for "Underwater World at Pier 39"—called an aquarium without walls—is scheduled to take place early this summer.

A new concept in showcasing marine life, "Underwater World" will offer visitors a dry journey under the sea. The aquarium itself will be a 1.3 million gallon tank containing 2,000 fish indigenous to Northern California and San Francisco Bay waters, including sharks, rays and sea turtles. Visitors travel through the tank on a moving footpath inside a transparent, seamless, acrylic, closed-loop tunnel, but can step onto a parallel stationary platform anywhere along the way. One trip around the 8-shaped loop will take 15 minutes.

The design of the aquarium is patterned after Kelly Tarlton's "Underwater World" in Auckland, New Zealand

"Underwater World at Pier 39" will be built on site, overlooking the Marina between Pier 39 and Pier 35, as a joint venture of Pier 39 Limited Partnership, Economics Research Associates of San Francisco and Questar Corporation of New Zealand

Completion of the $7–$8 million project is set for summer/fall 1988.

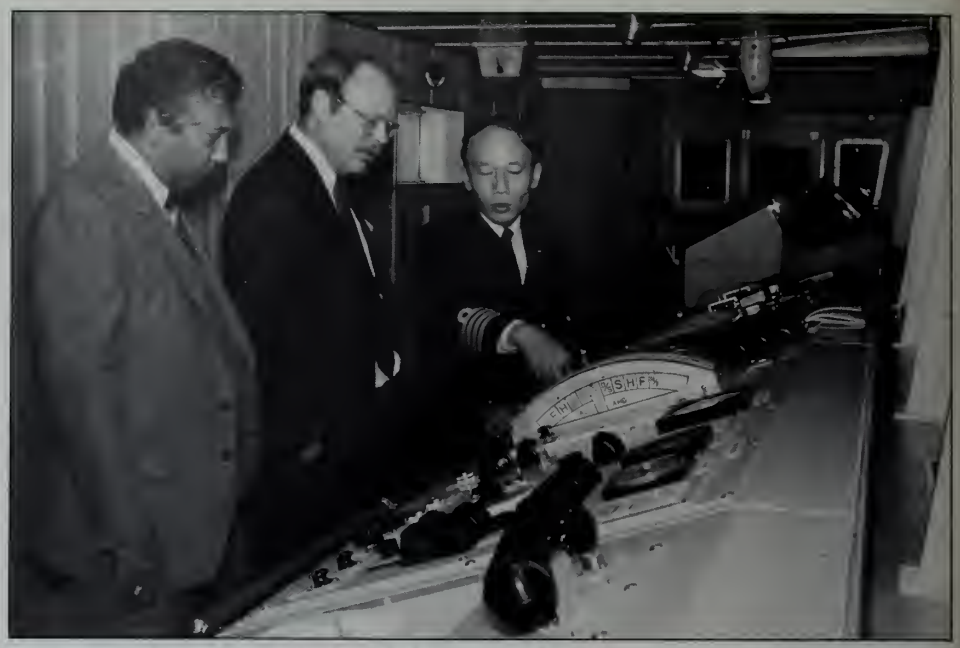
If It's Monday... It's Japan/Korea But If It's Friday... It's Taiwan/Hong Kong

The revised scheduling of the Evergreen Line/Japan Line transpacific services establishes a weekly same-day-of-the-week schedule for the two services that call San Francisco. (A third service to the Pacific Northwest is on a ten-day frequency.) The service to Japan and Korea now calls San Francisco every Monday (see Japan Line article).

The service to Taiwan and Hong Kong calls San Francisco every Friday and uses two G and four GL containerships (2728 and 2940 TEU capacity).

The realignment gives more direct service in fewer days to Asian destinations.

Refrigerated cargo service is available now on all ships in the Japan/Korea service and will be available on the G and GL ships in the Taiwan/Hong Kong service by March.



Captain Wuu Yeun-liang shows the Port's Terry Hamid (left) and John Neudecker around the bridge of the *M.V. Ever Given* during the ship's initial call to San Francisco. The *Ever Given* is the fourth 2940-TEU-capacity ship to enter service here.

M.S. Tequila Sunshine

Canadian Tropic Line Begins Canada/U.S./Mexico/Central America Service

A newly formed line, Canadian Tropic Line S.A., began calling San Francisco January 14 with the arrival of the *M.S. Tequila Sunshine*, a multi-purpose 4000-ton DWT bulk carrier. The *Tequila Sunshine* and a second ship, *Freeway Runner*, will call West Coast ports from British Columbia to Panama in a twice-monthly service. United Steamship Agency, Inc., is the U.S. agent for the service.

The *Tequila Sunshine* discharged cocoa, lumber and resin.

Built in Germany three years ago, the *Tequila Sunshine* can carry up to 256 TEUs of both dry and refrigerated containers, bulk, breakbulk and heavy-lift cargoes. The ship features twin 30-ton, side-mounted cranes, combinable to a full 60 tons. Special removable tween-decks provide maximum flexibility.

The line will call North Container Terminal operated by California Stevedore and Ballast Company. United Steamship Agency is agent for the line.

CITY AND COUNTY
OF SAN FRANCISCO
Port of San Francisco

FINANCIAL STATEMENTS AND ACCOUNTANTS' REPORT

JUNE 30, 1986 AND 1985

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ACCOUNTANTS' REPORT

THE HONORABLE JOHN C. FARRELL, CONTROLLER, CITY AND COUNTY OF SAN FRANCISCO

We have examined the balance sheet of the PORT COMMISSION, CITY AND COUNTY OF SAN FRANCISCO, PORT OF SAN FRANCISCO ("Port") as of June 30, 1986 and the related statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The 1985 financial statements of the Port were examined by other auditors whose report dated October 2, 1985 expressed an unqualified opinion on those statements.

In our opinion, the 1986 financial statements referred to above present fairly the financial position of the Port as of June 30, 1986, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hood and Strong

Morris, Davis & Company

September 26, 1986

PORT of SAN FRANCISCO

BALANCE SHEET
AS OF JUNE 30, 1986 AND 1985
(In thousands)

ASSETS

	1986	1985
CURRENT ASSETS:		
Cash, principally in City Treasury – Port operating fund	$ 21,061	$ 20,112
Accounts receivable (less allowance for doubtful accounts: 1986, $1,554; 1985, $1,733)	2,348	2,761
Accrued interest receivable	1,651	1,736
Materials and supplies	911	580
Prepaid insurance and other assets	1,527	849
Total Current Assets	27,498	26,038
RESTRICTED ASSETS:		
Cash and short-term investments:		
Capital outlay	35,728	36,570
Bond interest and redemption	11,072	8,021
Lessee deposits held in trust	885	873
Total Restricted Assets	47,685	45,464
PROPERTY, PLANT, AND EQUIPMENT – Net	171,712	171,111
LONG-TERM RECEIVABLE	315	
TOTAL	$247,210	$242,613

LIABILITIES AND EQUITY

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 7,828	$ 7,588
Current maturities of bonded debt	3,520	3,520
Accrued bond interest payable	273	214
Total Current Liabilities	11,621	11,322
PAYABLE FROM RESTRICTED ASSETS		
Accrued bond interest payable	2,588	
Lessee deposits	885	873
	3,473	873
DEFERRED RENTALS	9,283	9,769
BONDED DEBT – Less current maturities	88,765	91,632
Total Liabilities	113,142	113,596
EQUITY:		
Contributed capital	15,208	15,208
Revaluation of property	56,063	56,063
Retained earnings	62,797	57,746
Total Equity	134,068	129,017
TOTAL	$247,210	$242,613

The accompanying notes are an integral part of this statement.

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED JUNE 30, 1986 AND 1985
(In thousands)

	1986	1985
OPERATING REVENUES:		
Property rentals – commercial	$14,692	$14,458
Property rentals – maritime	4,803	4,879
Wharfage, dockage, and demurrage	6,335	7,789
Commercial power	1,145	1,207
Other	2,436	789
Total Operating Revenues	29,411	29,121
OPERATING EXPENSES:		
Operations	9,950	7,555
Maintenance	9,592	10,296
Depreciation	3,631	3,824
Commercial power	924	965
Fire boat operations	927	1,013
Total Operating Expenses	24,664	23,653
Operating Income	4,747	5,468
INTEREST INCOME	3,193	3,365
INTEREST EXPENSE	(2,889)	(3,002)
NET INCOME	5,051	5,831
RETAINED EARNINGS – Beginning of year	57,746	51,915
RETAINED EARNINGS – End of year	$62,797	$57,746

The accompanying notes are an integral part of this statement.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 1986 AND 1985
(In thousands)

	1986	1985
SOURCES OF FUNDS:		
Operations:		
Net Income	$5,051	$ 5,831
Expenses not using working capital– depreciation and amortization	3,734	3,884
Revenue not providing working capital:		
Fire insurance proceeds	(1,776)	
Recognition of deferred revenue	(486)	(494)
Total From Operations	6,523	9,221
Net proceeds of bond issuance		40,587
Increase in liabilities payable from restricted assets	2,600	265
Total	9,123	50,073
USES OF FUNDS:		
Increase in restricted assets	445	39,347
Acquisition of property, plant, and equipment	4,232	5,046
Reduction of noncurrent bonded debt	2,970	3,520
Additional long-term receivable	315	
Total	7,962	47,913
INCREASE IN WORKING CAPITAL	$1,161	$ 2,160
WORKING CAPITAL INCREASE (DECREASE) BY COMPONENT:		
Cash	$ 949	$ 3,322
Accounts receivable	(413)	(840)
Accrued interest receivable	(85)	1,238
Materials and supplies	331	(40)
Prepaid insurance and other assets	678	549
Accounts payable and accrued liabilities	(240)	(2,156)
Current maturities of bonded debt		(25)
Accrued bond interest payable	(59)	112
INCREASE IN WORKING CAPITAL	$1,161	$ 2,160

The accompanying notes are an integral part of this statement.

NOTE 1 — SIGNIFICANT ACCOUNTING PDLICIES:

Organization

The Port of San Francisco ("Port") is an enterprise fund of the City and County of San Francisco ("City"). A five-member Port Commission is responsible for its operation, development, and maintenance. Commission members are appointed by the City's Mayor for terms of four years. The Port is an integral part of the City, and the accompanying financial statements are included as a component of the financial statements prepared by the City.

Prior to February 1969, the Port was owned by the State of California ("State") and administered by the San Francisco Port Authority, a State agency. In February 1969, the Port was transferred in trust to the City under the terms and conditions specified in the State statutes of 1968, Chapter 1333 ("Burton Act"), as amended, and ratified by the City's voters in November 1968.

Under the terms of the Burton Act, the State Legislature reserved the right to amend, modify, or revoke, in whole or in part, the transfer of lands in trust, provided that the State would then assume all lawful obligations related to such lands.

Lease Revenue

Lease revenue from the rental of building spaces, ground areas, and facilities is accounted for under the operating method. Under this method, lease revenue is earned as it becomes due and related expenses are recognized as incurred.

Materials and Supplies

Materials and supplies are used for construction and maintenance of Port facilities and are stated at cost (approximates first-in, first-out method).

Property, Plant and Equipment

Land transferred to the City in February 1969 is stated at an amount which includes an increase over historical cost of $56,063,000. This amount was recorded by the State in prior years to reflect appraised values in 1929. The Port's management estimates that the fair market value of such land significantly exceeded recorded amounts at the time of the transfer.

Land acquired after February 1969 and land improvements are stated at cost. Land improvements (principally pavement and railroad tracks) with a cost of approximately $18,000,000 are not depreciated because, in the opinion of management, the assets will be maintained to provide indefinite useful lives. Maintenance and repairs are expensed as incurred.

Interest paid on bond funds used for construction purposes, less interest earned on the temporary investment of the proceeds of such borrowings is capitalized from the date of borrowing through the construction period. Total interest cost was $7,020,000 and $5,194,000 for fiscal years 1986 and 1985 of which $4,131,000 and $2,192,000 was capitalized respectively. Total interest earned was $7,324,000 and $5,557,000 for fiscal years 1986 and 1985 of which $4,131,000 and $2,192,000 was capitalized respectively.

Other property, plant and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

NOTE 2 — INVESTMENTS OF RESTRICTED FUNDS:

The Port has invested restricted funds as of June 30, 1986 as follows:

	Cost	Fair Market Value
	In thousands	
Negotiable certificates of deposit	$ 7,755	$ 7,755
U.S. Agency Instruments	2,689	2,806
Certificates of Deposit	52	52
Cash Deposits–Trustees	576	576
	$11,072	$11,189

Each investment is short term with the exception of $958,000 of U.S. Agency Instruments which matures February 1, 1988. All other restricted funds are deposited and pooled by the City and County of San Francisco.

NOTE 3 — PROPERTY, PLANT, AND EQUIPMENT:

At June 30, 1986 and 1985, property, plant and equipment consisted of:

	1986	1985	Estimated Useful Life (Years)
	(In thousands)		
Land and land improvements	$115,756	$115,756	
Buildings, structures and related improvements	128,509	127,254	5-50
Equipment	4,369	4,066	5-40
Total	248,634	247,076	
Less depreciation and amortization	(81,245)	(77,669)	
Net	167,389	169,407	
Construction work in progress	4,323	1,704	
Total	$171,712	$171,111	

The cost of fully depreciated assets still in use was approximately $42,200,000 and $42,000,000 at June 30, 1986 and 1985 respectively.

During 1983, the Port acquired land, subject to a thirty-year tenant lease, on the condition that the Port not exercise its option to take possession of such property until termination of the lease. The $9,900,000 property value received has been included in land and deferred rentals. The deferred rentals related to this land, $8,730,000 and $9,060,000 at June 30, 1986 and 1985, are being recognized as rental revenue over the thirty-year lease term.

NOTE 4 — BONDED DEBT:

At June 30, 1986 and 1985, bonded debt consisted of:

	Interest Rate	Fiscal Year Last Series Matures	Balance 1986	Balance 1985
			(In thousands)	
General Obligation Bonds:				
State of California:				
Third Seawall 1913	4.0%	1989	$ 375	$ 510
Fifth Seawall 1958, Series B, F, G, and H	1.0-4.85	1999	13,710	15,345
City and County of San Francisco— Harbor Improvement 1971:				
Series A	4.5-6.0	2003	13,600	14,400
Series B	5.4-6.75	2005	7,600	8,000
Total General Obligation Bonds			35,285	38,255
Revenue Bonds:				
Series A 1969	7.0-8.5	2000	9,200	9,200
Series B 1971	5.25-6.75	2002	7,050	7,050
Series C 1984	9.5-11.5	2010	42,500	42,500
Total Revenue Bonds			58,750	58,750
Total Bonded Debt			94,035	97,005
Less:				
Current maturities			3,520	3,520
Unamortized discount— Revenue Bond Series C			1,750	1,853
Total Long-Term Bonded Debt			$88,765	$91,632

NOTE 4 — BONDED DEBT (Continued):

The bonds mature as follows:

Year Ending June 30: (In thousands)	State of California	City and County of San Francisco	Revenue Bonds	Total
1987	$ 1,770	$ 1,200	$ 550	$ 3,520
1988	1,770	1,200	665	3,635
1989	1,740	1,200	760	3,700
1990	1,635	1,200	880	3,715
1991	1,060	1,200	1,065	3,325
Thereafter	6,110	15,200	54,830	76,140
Total	$14,085	$21,200	$58,750	$94,035

The July 1, 1985 debt service payment on the revenue bonds was made as of June 30, 1985. The July 1, 1986 payment was made on that date.

In December 1984, the Port issued revenue bonds of $42,500,000 to finance various capital projects, primarily improvements at Pier 80 and the construction of an Intermodal Container Transfer Yard at Pier 96. The Series C revenue bonds are on a parity with all other revenue bonds issued by the Port.

The revenue bonds are collateralized by the net revenues of the Port, as defined by the bond resolution, are subordinated to the general obligation bonds of the State, and are on a parity with any future revenue bonds. The general obligation bonds issued by the City are subordinated to the revenue bonds and any future revenue bonds.

The revenue bonds require that the net revenues of the Port, as defined, be at least 1.3 times the debt service requirements of such bonds for the following twelve months. Certain bond resolutions require that the Port maintain funds for the purpose of accumulating assets which are restricted to interest and principal payments. Such resolutions prescribe the amounts to be accumulated and the types of securities in which the restricted assets may be invested.

Under the terms of the revenue bonds covenants, insurance proceeds may be used for reconstruction of the property or for construction of related property. If the proceeds are not used for those purposes, they must be applied to the redemption of bonds as provided in Article III, Port Commission Resolution Number 5231. At June 30, 1986 and 1985, restricted capital outlay funds included unexpended fire insurance proceeds of $2,702,000 and $926,000, respectively.

NOTE 5 — OPERATING REVENUES — PROPERTY RENTALS:

Certain of the Port's property rental agreements specify rental payments based on a percentage of tenant sales, subject to a minimum amount. Property rental revenues were comprised as follows:

	1986	1985
	(In thousands)	
Minimum rentals	$16,235	$16,232
Percentage rentals	3,260	3,104
	$19,495	$19,336

Minimum future rental income under noncancellable operating leases having terms in excess of one year are as follows:

Year ending June 30: (In thousands)	
1987	$ 8,379
1988	8,114
1989	7,710
1990	7,348
1991	7,218
Thereafter	195,135
Total	$233,904

Property subject to operating leases and property held for lease at June 30, 1986 consisted of:

Land and land improvements	$28,080
Buildings, structures, and related improvements (at cost, less accumulated depreciation of $47,097)	6,903
Total	$34,983

NOTE 6 — PENSION PLANS:

The City has a defined benefit retirement plan which is administered by the San Francisco City and County Employees' Retirement System ("City Retirement System"). The majority of full-time employees of the Port participate in this plan along with other employees of the City. Certain employees who commenced their employment at the Port prior to February 1969, participate in the State of California Public Employees' Retirement System ("PERS"). These plans provide death, disability and service retirement benefits. Benefits are based on average final compensation, years of service and limited required cost-of-living increases.

The pension plans are financed primarily by: (a) employer contributions which include contributions from the Port; (b) employee contributions; and (c) income from investments. Employer contribution rates are established by the City Retirement System and PERS, based on actuarial valuations which consider both unfunded past service costs and current costs and are designed to amortize past service costs through the year 2000. Contributions included in operating expenses were approximately $1,454,000 and $1,431,000 for fiscal 1986 and 1985, respectively. The plans' assets, liabilities, and benefits are not allocated to the Port.

The Port is obligated to annually contribute $169,000 until July 1, 1998 to the State PERS for settlement of an unfunded liability. As of June 30, 1986 the balance to be contributed totalled $2,027,000.

NOTE 7 — RELATED PARTY TRANSACTIONS:

The City performs certain administrative services such as cash disbursements and investment for all fund groups within the City. The Port is charged for these services based upon the City's indirect cost allocation plan. Other City departments, primarily the fire department and the City attorney's office, provide certain services which are charged directly to the Port. The cost of all of the services combined included as operating expenses in the statement of income was approximately $2,200,000 in 1986 and $1,755,000 in 1985.

NOTE 8 — PIER 30 AND PIER 32 FIRE:

In May 1984, a fire destroyed the buildings on Piers 30 and 32. The Port has claims with its insurance carriers and received $1,776,000 in 1986 and $250,000 in 1985 in proceeds. The Port is negotiating with the principal insurance carrier for a cash settlement based on the expected replacement value which significantly exceeds the carrying value of the destroyed facilities. As further discussed in Note 4, the insurance proceeds may be used for reconstruction of the buildings or for construction of related property. Proceeds not used for this purpose must be applied to the redemption of certain bonds.

NOTE 9 — COMMITMENTS AND CONTINGENT LIABILITIES:

The Port is presently planning various development projects which involve a commitment to expend significant capital funds. The Port had firm purchase commitments at June 30, 1986 for approximately $10,950,000 for construction, material and services. In addition the Port has entered into an agreement with a lessee, whereby the lessee will make a minimum of $10 million in capital improvements. The lessee will reduce its lease payments by the cost of the improvements over the remaining term of the lease (currently 27 years).

Under a management advisory contract signed in December 1973, the Port transferred its railroad operations to Port Railroad, Inc. for a period of twenty years. The contract is cancellable by Port Railroad, Inc. with nine months' written notice.

The Port is a defendant in various lawsuits; most deal with personal injury or property damage resulting from accidents or fire and are covered by insurance. A substantial number of the lawsuits are in the discovery stages and counsel to the Port cannot express an opinion as to the possible outcome of such litigation. However, in the opinion of counsel the likelihood of an unfavorable outcome is probable in some of the suits and, accordingly, accrued liabilities include an accrual for the aggregate amount of deductibles under applicable insurance policies. The ultimate resolution of such matters is not expected to have a material effect on the Port's financial position or results of operations.

The Port provides health care insurance benefits for retired employees. Substantially all of the Port's employees may become eligible for these benefits if they reach normal retirement age. Those benefits, and similar benefits for active employees, are provided through the City's Health Care System. The Port recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were $33,800 for the retirees for the year ended June 30, 1986.

Bay Area Ports Spearhead Study of Automated Clearance

The Golden Gate Ports Association (GGPA) has authorized Price Waterhouse to study whether an automated customs clearance center should be developed for Bay Area ports. If so, the accounting firm is to make detailed recommendations for design and installation of such a center.

The center's system would interface with Customs' Automated Commercial System (ACS) and could be applied to each of the six Bay ports in the association—San Francisco, Oakland, Redwood City, Richmond, Sacramento and Stockton.

Some ports in the country already have developed service centers but their systems are not well linked to Customs' system.

Development of a good system standardized with Customs and tied to other regulatory agencies would give the Bay Area a significant competitive advantage.

The $150,000 project is being funded by the U.S. Maritime Administration (Marad) and GGPA.

Marad's major interest in the project is in establishing a "generic" model system that could be applied to ports throughout the country at relatively low cost.

Costs and benefits of implementing such a system individually through each member port, or collectively through the Golden Gate Ports Association, will be included in the recommendations.

In conducting the study, Price Waterhouse will be sending surveys to companies within the Bay Area trade community to find out their level of computerization. Lamarian Systems, Inc. of Washington, D.C., is a subcontractor of Price Waterhouse on the project. (Lamarian is the company that developed the U.S. Customs' Automated Commercial System.)

Japan Line Switches Ships to California Service

The *M.V. Pacific Arrow*, first of three Japan Line container ships being shifted into the reorganized California/Japan/Korea service, arrived in San Francisco February 27. The Japan Line ships have been operating in the Pacific Northwest service.

While Japan Line cargo has been passing through the Port of San Francisco since last April, this is the first Japan Line ship that has called here in eighteen years. Last spring, Japan Line signed an agreement with the Port of San Francisco and since then has been moving containers through this port on Evergreen Line ships under a reciprocal space chartering agreement with that line. The service calls South Terminal operated by Stevedoring Services of America.

In addition to 378 container moves, the *Pacific Arrow* loaded 500 tons of vegetable and safflower oils in the ship's two liquid bulk tanks. These oils together with the reefers of egg yolks also on board are destined to become mayonnaise when they reach Japan.

After this initial call, the service will follow a fixed day-of-the-week schedule calling San Francisco every Monday. Other ports-of-call are Tokyo and Osaka in Japan, Busan and Hakata in Korea, and Los Angeles.

Following the *Pacific Arrow* in the five-vessel service will be *Japan Apollo, Japan Alliance, Ever Lyric* and *Ever Loading*, with capacities ranging from 1,481 to 1,840 TEUs. The realignment improves service to Japan and Korea by increasing frequency from every ten to every seven days and nearly doubling the available shipboard slots per month.

On board the *Pacific Arrow* are (from left) David Snow, district manager, Merit Steamship Agency, Inc., agents for Japan Line; Toshiyuki To, chief engineer; Eugene L. Gartland, executive director, Port of San Francisco; Captain Nobuyuki Okamoto, ship's master; Tadao Kabe, regional manager for Northern California, Japan Line (USA) Ltd., and Toru Toriyama, chief radio officer.

Tanker trucks load vegetable oil into the *Pacific Arrow*.

Keeping San Francisco's Containers in Shape

San Francisco Container and Chassis Repair (SFCCR), the largest off-dock container and chassis storage/repair facility in San Francisco, is "putting its money" on the Port of San Francisco.

"We see the growth of the transportation industry in San Francisco as inevitable," said T. James Olison, president of SFCCR, "and the Port of San Francisco as being a leader on the West Coast for containerized cargo handling."

SFCCR is a complete facility specializing in full terminal operations, including storage, dispatching and repair of all leasing and steamship company equipment: containers, chassis, flatracks, platforms, tanks, open tops and other miscellaneous equipment. The company now handles container repair for most of San Francisco's biggest shipping lines and is attracting leasing and manufacturing companies to their facility for its storage capabilities.

Located at 1299 Yosemite Avenue just south of the San Francisco Container Terminals, SFCCR is comprised of nine (paved) acres and also contains two 12,000 sq.-ft. indoor repair shops.

SFCCR President T. James Olison (squatting) shows a sample of their work to John Neudecker, manager of Trade Development for the Port.

Cosco Brings in New Ship

China Ocean Shipping Company (COSCO) completed its expansion and ship realignment on the West Coast, with the arrival January 27 of the *M.V. Chao He*. Less than two years old, the *Chao He* replaces the *Song He* which is being shifted to the East Coast.

The line's frequency of service on the West Coast was reduced to every ten days last October when the fifth ship was brought into the service.

Two fully cellular containerships and three roll-on/roll-off ships now accommodate COSCO's transpacific trade.

The *Chao He* has a container capacity of 1322 TEUs including 54 reefer slots.

Intermodal Expo '87

Over 2,000 shippers, agents, and representatives of railroads, motor carriers and shipping lines are expected to attend the annual International Intermodal Expo '87 to be held in Atlanta April 21–23. The Port of San Francisco is pleased to be a maritime sponsor of the event this year.

In the last few years, the Port of San Francisco has significantly increased its capabilities for handling intermodal cargoes, beginning with the establishment of an on-dock facility in 1984.

Last November the 36-acre ICTF with unit train capability was opened.

Intermodal Expo '87 will feature presentations and panel discussions by chief executive officers and industry officials plus several hundred exhibits.

Captain Chen Zhong (center) with Ricardo Lacayo and Walt Schreiber, Norton, Lilly International Inc., agents for COSCO.

Port People

John Neudecker, manager of Trade Development, addressed the World Agritrade Center Conference in Fresno, December 11, on the theme "San Francisco, Your Local Port." Stressing the mutual dependence between the Port of San Francisco's development and that of agritrade in the Central and Northern San Joaquin Valley, Neudecker noted that this area provides the Port with its export base (roughly half of its export cargo). As a result San Francisco remains one of the few American ports to enjoy a trade surplus. This gives its ocean carriers a practical balance between imports and exports with access to cargo that is among the most highly valued throughout the world.

The conference of government and state agricultural leaders was held to explore the feasibility of developing the first World Agritrade Center in Fresno. Housing government and foreign business liaison offices, trade missions, exhibition and trade mart facilities, a duty-free zone, and information, research and meeting centers, the Center would form part of a network of international World Trade Centers, but would be unique in its focus on agricultural trade. Supporters predict that the facility would help boost overall export activity by providing a "one-step shopping center" for foreign buyers and a valuable aid to smaller growers whose access to lucrative overseas markets is limited.

California leads the nation in the production of 53 agricultural commodities exported by the U.S., with Fresno the #1 producing county in the U.S. In fact, five of the country's top ten agricultural producing counties are contained in the San Francisco Customs District.

Roundhouse Earns Award for Architects

Daniel, Mann, Johnson & Mendenhall (DMJM), San Francisco architectural firm on the Port's roundhouse development, has received an award of excellence for creative use of concrete in architecture from the Portland Cement Association.

The roundhouse was built in 1913 to accommodate the port-owned Belt Line Railroad, and in 1980 was designated a city landmark. The development, which included the restoration and adaptive reuse of the buildings on the site and the construction of two new buildings, was completed in 1984 and is now under long-term lease to a commercial management company.

South Seas Steamship Company Signs on with San Francisco

South Seas Steamship Company, a San Francisco-based shipping line with service between the West Coast and South Pacific islands, signed a 10-year terminal revenue-sharing agreement with the Port of San Francisco in January.

The actual signing of the documents occurred aboard the *M.V. Moana Pacific*, South Seas' 812 TEU-capacity containership, during the vessel's first San Francisco call.

South Seas will use North Container Terminal, operated by California Stevedore and Ballast Company, for the monthly service.

Besides San Francisco, the line calls San Diego and Long Beach on the West Coast and serves Papeete, Tahiti; Pago-Pago, American Samoa; Apia, Western Samoa; Nukualofa, Tonga; Suva and Lautoka, Fiji; and Auckland, New Zealand.

Sixty percent of the cargo the line will load here is food stuffs for Pago-Pago and Papeete, according to Ross Levin of United Steamship Agency, Inc., agency for South Seas.

Ronald L. Stone, director of Maritime Affairs, Port of San Francisco; and Tony Dizon, executive vice president, South Seas Steamship Company; with James C. Eschen, president, California Stevedore & Ballast Co., sign agreement bringing South Seas to San Francisco.

Marking first San Francisco call are (from left) Captain Lars Blomstrom, *Moana Pacific*, Rodney Ganda, California Stevedore & Ballast Co.; Gerhard Jacob, United Steamship Agency, Hal McCarthy and James Eschen, California Stevedore & Ballast Co. (On steps) Ross Levin, United Steamship Agency, and Tony Dizon, South Seas Steamship Company.

Everything You Always Wanted to Know About Cruising – *But Didn't Know Who to Ask*

Questions from "Can I travel alone?" to "What about tipping?" are answered in a brochure recently published by the Cruise Lines International Association (CLIA), an association of 21 cruise lines, to promote and enhance awareness of vacations at sea.

The booklet entitled "Answers to the Most Asked Questions About Cruising" will be helpful to everyone considering a cruise vacation—especially "first timers." A copy of this brochure can be obtained directly from CLIA, 17 Battery Place, Suite 631, New York, 10004 or from travel agents nationwide.

Royal Viking Line Announces Construction of New Cruise Vessel

San Francisco-based Royal Viking Line announced plans for construction of an "ultra-luxurious" cruise vessel which will enter service in December 1988. The announcement was made jointly by Einer Kloster, chairman of Kloster Cruise, the parent company of Royal Viking Line, and Joseph A. Watters, president of Royal Viking Line.

The new Royal Viking ship is being built at a cost of $125 million at Wartsila Marine Industries, Inc. in Finland.

"This will be the most luxurious ship in the world," said Kloster in making the announcement.

At 36,000 gross tons, the new Royal Viking Line vessel will be almost a third larger than existing Royal Viking ships but will carry only 760 passengers. It will have larger cabins, more open deck space and more public room space per passenger than virtually any other cruise vessel—either afloat or under construction.

Forty percent of the 380 spacious cabins aboard the new vessel will feature private verandas. Walk-in closets, bars with refrigerators and television/video combinations will be standard in all cabins.

The new ship will be used on the line's longer cruises to exciting destinations—one of which is San Francisco.

Royal Viking Line ships have regularly called San Francisco since the company was formed and its first ships built in the early 1970's.

Port Accommodates 'Special Project' Steel Shipments

Steel for Construction

Hyundai's *Key Glory* docked at Pier 30/32 in December discharging a shipment of steel from Korea. The Hyundai *Hai Soo* discharged a second shipment in January. Altogether, 3,100 tons of steel, 2,200 tons from Korea, have been assembled at the pier for use by the Canron Construction Co. in the multi-story office building now under construction at First and Mission.

Pier 30/32 is just seven blocks from the construction site and is one of several piers used by the Port for special project cargo.

Stevedoring was handled by Stevedoring Services of America.

Steel for Railroads

Gearbulk's *Harefield* unloaded 1500 tons of steel tracks at North Terminal in January. The railroad tracks were shipped from Germany in 80-foot lengths and unloaded onto 22 railcars for delivery to Southern Pacific's Rail Welding Facility in Tracy. Here they will be welded into 1500-foot sections for final delivery to wherever needed on Southern Pacific's system. The "continuous welded rail", as the 1500-foot sections are called, eliminate the old "clickity-clack" caused by joints on the track. The tracks unloaded in San Francisco were the heavy-duty 136-pound rail, meaning each yard of track weighs 136 pounds. This weight is used on the Southern Pacific's mainline.

"We were proud of the Port of San Francisco's ability to off load this shipment," said Gerald Pera, community relations representative for Southern Pacific Transportation Company. "The entire shipment was divided among several ports with significant problems encountered at another Bay Area port."

California Stevedore and Ballast Co. are terminal operators at North Terminal.

Steel rails unloaded from Gearbulk ship

Construction steel unloaded from Hyundai ship

Port Names Representative

The Port of San Francisco has appointed Carlos A. Massera as its representative in Latin America. A native of Argentina, Mr. Massera has had wide experience in the industry here and in Latin America.

As Owner's Representative for Lloyd Brasileiro in San Francisco, a post he held until 1986, Massera became familiar with the Port of San Francisco and West Coast shipping. Lloyd Brasileiro is the largest general cargo carrier in Latin America. The Brazilian-flag line has called the Port of San Francisco since 1966 and has contributed heavily to making San Francisco the West's leading cocoa and coffee port.

Before that, he was with ELMA (Empresa Lineas Maritimas Argentinas, S.A.) as the Argentine line's representative in Rio de Janeiro. Later he became operations manager and finally general manager in ELMA's Buenos Aires headquarters.

Most recently Massera served as Director of *Container, Comercio, Industria e Agencia Maritima,* a Brazilian company which acts as central operator and coordinator for shipping line and leasing company container operations in ports throughout Brazil.

All South American national flag carriers serving Northern California call San Francisco and have long-term commitments with the Port. Important trading partners, San Francisco handles 19% of all South American cargo on the West Coast and 86% of all South American coffee.

Massera will be headquartered in Rio de Janeiro.

Carlos A. Massera

Ship with a Mercy Mission

The *M.V. Anastasis,* a former Italian cruise ship converted into a mercy vessel, docked at Pier 30/32 for two weeks in December while it was being readied for an evangelical and relief mission to help refugees of the September 1985 earthquake in Mexico.

The ship is operated by Mercy Ships, an international relief agency associated with the Christian organization Youth With A Mission. Purchased in 1978 from the Italian government, the 11,695-gwt ship first set sail from Greece in 1982 with a volunteer crew of 175, many of whom were students who had worked for months making repairs and getting it ready to sail. Since then, its all-volunteer crew and staff (now close to 300) have brought disaster relief, medical assistance and missionary outreach to port cities in Greece, New Zealand, the South Pacific, Central and North America and the Caribbean.

Upon arrival at Mexico's Lazaro Cardenas port, relief goods will be unloaded and the ship's fully equipped dental and specialized surgical facilities plus its onboard general health care unit will be mobilized. The dining and lounge areas will become a training center for conferences and seminars on educational, medical and spiritual topics.

Captain Robin Jones expressed appreciation to skilled San Francisco locals who contributed electrical and other work while the ship was in port.

M.V. Anastasis

Where Were You on the Night of November 15th?

If you were along the Promenade ... in Ferry Plaza ... or on the deck outside Port offices on the third floor of the Ferry Building ... then you had the best seat in town ... for the best show anywhere ... the spectacular Bay Bridge 50th Birthday Celebration.

The evening was balmy and clear. Pleasure boats packed the Bay almost hull to hull. Crowds of people stretched along the Bayfront and covered the hills.

Master control for the dramatic display of sound and light was set up on the Ferry Building deck. It was quite a show. Fireworks electrically fired from six barges in the Bay, lasers, searchlights ... all choreographed to music and simultaneously broadcast by a local radio station.

What a party!

If you wish your name to be added to our mailing list, please contact:

The Port of San Francisco
Ferry Building
San Francisco, CA 94111

(415) 391-8000
Fax: (415) 398-1269
Telex: 275940 PSF UR
Cable: SFPORTCOMM

Eugene L. Gartland, Executive Director
Ronald L. Stone, Director, Maritime Affairs
John F. Conrad, Director, Administration and Finance
Arthur M. Osborne, Director, Engineering and Maintenance

Port Commissioners:
Dr. Arthur H. Coleman, President
James J. Rudden, Vice President
James R. Herman
Anne W. Halsted
William H.C. Chang

Agency Representation:

JAPAN

Nippon Maritime Co., Ltd.
Maritime Building
14-1 Botan 1-Chome, Kohtoh-Ku
Tokyo 135, Japan
Telephone: 03 (641) 7831
Telex: 78122263 NMC

TAIWAN

Grand World Shipping Agencies Ltd.
Asia Enterprise Center, 7th Floor
602 Minchuan East Road
Taipei, Taiwan
Telephone: (02) 7169555
Telex: 13072 GRANAGEN

LATIN AMERICA

Carlos A. Massera
Republica do Peru 124, #401
Copacabana
Rio de Janeiro
Brazil
Telephone (55) (021) 257-0232

U.S. MIDWEST

Trans Trade Inc.
5105 Tollview Drive, Rolling Meadows, IL 60008
(312) 577-4484, Telex: 275319 PTCHI UR

Wharfside is published bi-monthly by the Port of San Francisco

Editor: Nancy F. Pitt
Design: Williams & Ziller Design
Photographs: Air News Photos